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EMPLOYEE STOCK OWNERSHIP IN THE UNITED STATES

INDUSTRIAL RELATIONS SECTION OF THE DEPARTMENT OF ECONOMICS
AND SOCIAL INSTITUTIONS ∞ PRINCETON UNIVERSITY

Employee Stock Ownership in the United States

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PRINCETON UNIVERSITY

1927

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Published, July, 1926
Second Printing, January, 1927

PRINTED BY THE PRINCETON UNIVERSITY PRESS
PRINCETON, NEW JERSEY, U. S. A.

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FOREWORD

THIS study has been prepared by the Director and Assistant Director of the Industrial Relations Section of the Department of Economics and Social Institutions of Princeton University. The main facts upon which the study is based are drawn from the material in the library of the Industrial Relations Section at Princeton. This material has been obtained from a large number of companies, unions, and other organizations on many phases of industrial relations activities.

PREFACE

THE present study is neither a history nor a handbook. It is an inquiry into the specific nature of the plans under which employees acquire stock and a discussion of general questions raised by the provisions of such plans.

It does not attempt to assess praise or blame concerning individual plans or their terms. It does not attempt to indicate statistically the frequency of the resort to the various characteristic provisions of plans because it does not believe that, in a movement so subject to imitation, statistical frequency is necessarily a measure either of the excellence of a provision or of the actual esteem in which it is held. To the plans of the several companies that have thus far made the largest aggregate sales of stock to employees it gives less attention than many persons would believe to be due, because it holds that at the present stage more can be learned by an examination of many plans and of their diversity than by any review of a small group of plans.

Nowhere in this study will an employer interested in selling stock to his workmen find a description of a model or ideal plan, nor even a succinct statement of the principles to be observed in constructing such a plan. For these things the time does not seem to be ripe. By reading the analysis (Chapter II) in conjunction with the discussion of policy (Chapter III) he will, however, be assisted, it is hoped, to frame such a plan as may be suited to the circumstances of his company.

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CHAPTER ONE

INTRODUCTORY—BASIS OF THE MOVEMENT

THE acquisition by employees of stock in the companies they work for has reached the proportions of a comprehensive movement. What its remoter meaning may be is not yet clear and even its immediate significance is in some doubt. Temporarily, at least, it has eclipsed the interest in profit sharing as such, which, if it never became a dominant interest in our modern society, has also never been lost to view. The immediate aim of profit sharing is that the employee, without an investment of money, shall be granted a slice of the profits that would otherwise accrue to the employer. The immediate aim of the acquisition of stock is that the employee shall himself become an employer or capitalist on however reduced a scale, with a claim on profits proportionate to his holdings of stock. To regard the employee as in any noteworthy sense an employer would in a great many instances of the acquisition of stock be truly fatuous. In some instances, however, and they include a number of very large corporations, the employees as a group constitute either the largest stockholder or next to the largest stockholder.

We cannot ignore a great many immediate and practical questions that arise in connection with the acquisition of stock —questions as to the safety of the investment, the spontaneity of the employee's action, the clearness and completeness of his understanding of what is involved; but we also cannot fail to see that some ulterior problems are in question which have a bearing upon the economic structure of our society.

The number of companies that have sold stock to employees, or are selling stock, runs into the hundreds. In most instances, if they are not actually large companies they are at least companies of substantial size, and in a number of instances they

are among the largest companies in the country.[1] In some degree the movement can be regarded as a part of the general movement for popular ownership of securities in the United States. It has been estimated that between 1900 and 1922 the number of general stockholders in the country trebled and probably increased even further. For very late years we have no trustworthy computation, yet there are many indications that a great and accelerated increase has taken place.

Another special phase of the development of popular ownership in the United States is the expansion of customer ownership, a movement which has so far been chiefly promoted by the public utility companies. Since 1914 more than a million customers of the electric light and power companies alone have invested more than $1,000,000,000 of new capital in those companies. In the years 1922 and 1923 customers bought $350,000,000 worth of the securities of such companies. In the year 1924 they bought some 2,000,000 shares of stock, chiefly preferred stock.[2] It is more than an accident of time that has brought employee ownership and customer ownership into association. To an extent that cannot be ignored the same individuals or the same classes and types of individual are involved in the two cases.

It is common to associate employee and customer acquisition of shares of stock with the readiness with which during the war people of small means purchased Liberty Bonds. In the aggregate they did purchase very large amounts of those bonds and therein they gave evidence that an important source of capital had hitherto been ignored or all but ignored in the country.

[1] Employees of innumerable companies have in the past bought shares of stock of the companies employing them, or are today buying shares, without financing their purchases according to such specific purchase plans as we are discussing. The aggregate amount of the securities thus informally purchased, with or without the help and advice of the companies, must be very large, and would undoubtedly swell substantially the figure computed in Section 8 of Chapter II for the total holdings of employees.

[2] The figures in this paragraph are quoted from computations made by the National Electric Light Association.

Many saved who had not previously learned to save; many became familiar for the first time with the engraved symbol of ownership.

It is not, however, enough to point to the experience with war bonds. During and immediately after the war the earnings of our workers were substantially increased. The decline of mass immigration which began with the outbreak of the war in Europe and the material improvements that have come in the organization and technical efficiency of industry did much to supply the basis on which rates of wages were advanced. Through the payment of higher wages the possibility of saving has been increased. The scale of expenditure has undoubtedly risen, the number and variety of articles purchased have increased; but at the same time there has been a greater degree of accumulation out of wages.

Evidences of greater accumulation are numerous. Savings deposits in the banks have increased very largely. The number and amount of insurance policies of all sorts are much greater. There has been a large increase in the purchase of houses, furniture, motor cars and the like on the instalment basis. While it is possible in the last-named instances to lay stress upon the expenditure rather than upon the saving, the fact remains that once the ultimate expenditure has been determined upon—and freely determined upon—the accomplishment of the object requires self-restraint when the pay envelope comes in, requires self-denial in the face of other attractive objects of expenditure. It is likewise true that the dates on which the instalment payments are made are ordinarily less frequent than the dates on which wages are received. To a corresponding extent, money is definitely set aside and left unexpended while its owner waits for the instalment date to arrive. Whoever has become familiar with making payments by instalment has learned the first requirements of saving currently. Saving is now seen as a mode of expenditure for a deferred gain; a com-

mitment for the acquisition and possession of an article to be enjoyed or the systematic purchase of an income with a purchasing utility of its own. It is by instalment payments, as we shall see, that employee purchases of company stock are ordinarily financed.

It is not only, however, by considerations such as these that the movement for acquiring stock is to be explained. Something must be ascribed to the improved investment status of corporate securities. High earnings and the capacity to save would have no pertinence if satisfactory securities were not available for investment. The stability of industry is today greater than it formerly was. Our society itself is more stable than it was and this stability, while it doubtless depends upon various causes, is partly the result of increased stability of industry. It is likewise in turn a cause of stability of industry. From another point of view it may be said that the management of industry has become at once more capable and more conservative than formerly. Financial management, there is reason to contend, is probably even more conservative than the management of production and distribution. Hence it results that the gains of good years are applied more largely to reserves than was formerly the case, so that dividends tend to fluctuate less. In other words, shares of stock yield a more dependable income than formerly.

In what follows, an attempt will first be made to analyse the terms of the acquisition of stock by employees. If it can be shown subsequently that any serious dangers lurk among the benefits of the movement, it may be easier to forestall disaster. What the future of the ownership of stock by employees is to be, the future of 1930, or 1940, or 1950, will depend in part upon an early grasp of the disadvantages along with the advantages of stock acquisition by employees as it is practised today.

Chapter II is an objective analysis of the plans and exper-

ience of companies which have sold stock to employees. It is based directly on statements prepared by employers for reading by employees or on supplementary information that has been received from official sources. Chapter III introduces an element of interpretation and insofar falls short of being objective.

CHAPTER TWO

ANALYSIS OF THE PLANS AND THEIR RESULTS

1. *Introduction and Presentation of the Plan*

(A) THE DEVELOPMENT OF THE MOVEMENT

THE movement to sell securities on the instalment plan to employees has been under way for many years. Before 1900 only isolated instances appeared. A few years before this date the Illinois Central Railroad Company,[1] for example, began to sell its stock to its employees, a practice which it has continued for more than thirty years. Before 1900, likewise, among the companies that established "profit sharing plans" were some that provided that the distribution of profits might, at the company's option, be in shares of the company's stock.

About 1900 more companies became interested. In that year the Pittsburgh Coal Company and, in the following year, the National Biscuit Company established their plans. The Firestone Tire and Rubber Company offered its stock in 1902. In the following year, the United States Steel Corporation made an offer which, with changes, has been repeated annually since, except in one year. In 1903, likewise, the Procter and Gamble Company began to share profits with its employees through the transfer of stock to them. The profit sharing provisions of this company were started in 1886 and the higher salaried employees had been buying its stock since as early as 1890.

In the decade before the World War a number of important companies established plans. The list includes such names as the E. I. du Pont de Nemours and Company and the International Harvester Company. It was in 1911 that the Dennison Manufacturing Company adopted its original plan of industrial partnership. Various public utility companies, including

[1] With a few exceptions, the current stock purchase plans of the companies mentioned in the text have been summarized in Appendix B.

the Commonwealth Edison of Chicago and the Brooklyn Edison, established their plans for systematic saving during this period, the employee having the option whether he would ultimately invest his savings in the stock of the company or not. In 1913 the Consolidated Gas Electric Light and Power Company of Baltimore made its first offer of stock.

During the War and the period of prosperity that followed, the movement increased with special rapidity. Such conspicuous companies as the American Telephone and Telegraph Company, the American Tobacco Company, the Eastman Kodak Company, the Loose-Wiles Biscuit Company, the Studebaker Corporation, the Texas Company, the Niagara Falls Power Company, and several of the Standard Oil companies first adopted plans during this period. In 1921 when business was depressed, and in 1922, there was a distinct falling off in the number of companies making new or further offerings of stock.

In 1923, however, the movement started with renewed vigor. In that year, Armour and Company, the Radio Corporation of America, the Fleischmann Company, the Great Western Sugar Company, the Pacific Mills, the Jones and Laughlin Steel Corporation, the United Shoe Machinery Corporation, the Standard Oil Company of New York and the Yale and Towne Manufacturing Company, important corporations engaged in various kinds of manufacturing, made their original offers. They were followed during the next year by the Bethlehem Steel Corporation, the Brooklyn-Manhattan Transit Corporation, the General Motors Corporation (stock subscription plan), the United Cigar Stores Company, the Simmons Company, the Corn Products Refining Company, the Terminal Barber Shops, Inc., the National City Bank of New York and others. Among the companies which have most recently adopted the practice are the California Petroleum Corporation, the Kroger Grocery and Baking Company, the Great Atlantic and

Pacific Tea Company, the International Cement Corporation, the Long-Bell Lumber Company, the Pullman Company, the Zellerbach Corporation and the Western Union Telegraph Company. As of May 1, 1926, over two hundred companies were giving their employees the opportunity to acquire stock on some sort of deferred payment plan.

Comparatively few corporations, when once they have established a plan, have revoked it, although it is always within their power to terminate as well as to amend or modify it. Several important companies it is true made their original offerings during prosperous times and because the results were not favorable during the ensuing depressed times did not renew them. In general, however, at the expiration of a specified period of time, the plan has been renewed for a further term of years, or the initial offering has been followed by others. The policy of selling stock to employees seems, in other words, to have established itself favorably with most of the businesses which have adopted it.

The movement is widespread today. While few banking institutions have offered their stock, the number of industrial corporations, public utility and railroad companies which have done so is large.

(B) THE REASONS PRESENTED FOR OFFERING STOCK

The printed reasons given for the offering of stock at first appear to be multifarious. A close study, however, reveals that a considerable part of the diversity is in phraseology rather than in idea.

The purpose most frequently stated at the beginning of the circular distributed to the employees is that of creating an opportunity for them to buy stock, an opportunity which it is implied would otherwise not exist at all, or would not exist on terms favorable enough to be within the employee's reach. The company may add that it gives the opportunity at the em-

ployee's own request, or that it desires to have the employee financially interested in the company, or that it desires to have him acquire an interest in the business, or to have him become a partner or part owner. It may suggest, too, that the employee will find satisfaction in being an owner. A good many companies explain that they wish their employees to share in the earnings or profits of the business. This is aside from the companies whose plans are designed primarily for profit sharing, though they provide that the profits be distributed in stock.

The desire to render financial help to facilitate the buying of stock is another reason commonly given. The desire to encourage saving is frequent. In some instances it is explained that saving (investment) is encouraged to provide an emergency fund, or specifically to provide for the family in case of death, or to supply a pension. The motive of providing a safe investment for employees' savings is common.[1] There are two plans which were designed "to reward saving." The E. I. du Pont de Nemours and Company is original in its phraseology of this motive. It wants to provide "an incentive to employees to start the accumulation of income-producing property."

Some companies state that they offer the stock as an incentive to the employees to improve their work or to have an interest in it. Others wish to establish a method of providing additional compensation. Still others explain that in their belief the acquisition of the stock by employees will be "mutually advantageous."

That stock is offered in the hope that it will diminish the turn-over of labor is not often specifically stated. It is implied, however, by the terms of a considerable number of plans. Substantial rewards are given the employee who buys the stock and keeps it and also continues in the service of the company. In a few cases, as a matter of fact, stock has been offered as a

[1] One company explained in a letter that it offered stock to the employees because it did not want them to buy on margin. Another company, also in a letter, stated that it sold the stock to raise additional capital.

reward, so to speak, to the employees who helped to develop the business; it is in these instances rarely an outright gift. To make certain, too, that the business will continue in competent hands, stock is frequently offered to limited groups of employees.

Some companies declare that they want a wider distribution of their stock. To this end they may invite the general public, the customer public or their own employees to buy. In some instances they approach only their employees. The National City Bank and the Great Atlantic and Pacific Tea Company declare that they want to make every employee a stockholder. The Murphy Varnish Company wishes its employees to own its entire stock; the Bucyrus Company hopes that its preferred stock will be "largely held by those directly associated with it." One company explains its offer by stating that it desires to give employees the right of representation on the board of directors.

One important company offered stock in memory of the founder of the business. In some other cases, likewise, a personal or memorial motive is present.

(c) THE RECOMMENDATION TO THE EMPLOYEE TO BUY

It is sometimes hard to draw a line between a statement of reasons given for offering stock at all and a recommendation for purchase of the stock offered. The distinction is in many cases, but not in all, a matter of emphasis.

The circular or pamphlet outlining the terms of an offering differs strikingly from the prospectus sent out when a new security is offered to the public. Little or no information about the financial condition of the company is presented, a point discussed in Section 3 of this chapter; but at the same time no effort is made, as a rule, to impress the employee with the attractiveness and the safety of the investment.

"The Corporation offers . . . the opportunity" is so mild a statement that it can hardly be said to constitute a recommendation; ". . . every employee is justified in becoming a sub-

scriber and a stockholder" is stronger. The declaration of a prominent industrial company is more explicit: "It is with full faith in the attractiveness of its stock as an investment for its employees that the Company has devised this plan and now makes this offer. Employees who invest their money in the stock of the Company with thought for the future and with the intention of retaining their stock need not be alarmed by fluctuations in the market quotations on the stock. Market quotations may change from time to time, but the value of the stock, representing, as it does, a part ownership in the Company, does not change by reason of fluctuations in market quotations."

One of the primary reasons urged upon the employee for investing in the stock of the company he is working for is that he is in a position to know about the business and to watch his investment. It is sometimes further suggested, in this connection, that ownership in the business would be advantageous to the employee since he would thus share in the profits he had helped to earn.

It is also pointed out by some companies that the rate of return upon the employees' investment is unusually high, considering at once the safety of the security offered and the share price that is asked. Where a speculative character attaches to a stock, the employee may be offered special protection by the concessions made to him in the price of the stock (plus the elimination of a broker's fee), or by the substantial contributions made by the company towards payment for the stock. Sometimes a bonus on his stock for a period of years is offered, or the payment of additional dividends according to his years of service; while these provide further financial protection, they are not to be thought of primarily as devices for reducing the speculative risk. There is undoubtedly a tendency by some companies, which need not be regarded as intentional, to overrate the security they are offering, and at times to make irrele-

vant and misleading statements. Recommendations taking this form are more likely to appear in an article in the employee magazine than in the official circular.

That buying stock on an instalment plan affords the employee an excellent opportunity to save is the argument emphasized by some companies.

Recommendation sometimes takes the form of pointing out that the company will itself gain directly and the employee gain indirectly. Thus, one company urges investing in its stock because it believes such ownership will provide the employee a "still greater incentive . . . to give the Company his very best efforts." Another states: "While the Directors believe that to share in the future development of the Company will be an advantage to the employes so subscribing, they also believe that no element will contribute so largely to that development as the cooperation which [the] plan is intended to secure."

2. *Eligibility Requirements*

Under many plans, though the number is less than a majority, any employee is eligible to apply for stock.[1] Officers and directors are sometimes specifically excluded, but in other cases specifically included. Most plans omit any reference to them, however, and likewise to minors, although the latter are occasionally included or excluded. A few companies specify any *permanent* employee *in good standing*.

A large number of companies allow only those employees to subscribe who have been working for the company a stated time. "One year's continuous service" is most frequently specified. The service requirement is as short as one month and as long as five years[2] in various plans. Between these extremes

[1] In only a few instances is it stated that an employee's financial condition is carefully considered before his application for stock is accepted, but in practice the matter is probably generally considered.

[2] Employees of ten years or more service were given stock in the Crane Company by Mr. R. T. Crane, Jr.

lie the periods required by most companies. The Radio Corporation of America stipulated that "any employee of one month's service" might subscribe for its stock. An employee of the Curtis Companies, Inc., may participate after two months' service. Either three or six months' service is required with about equal frequency. Only employees of at least four months' service have been eligible to subscribe under the General Motors Corporation offerings.

When a plan is unusually liberal a longer period of service is generally required; or if it is not required, greater concessions may be made to employees of more years' service, such as allowing them additional dividends for each year of service. The Dennison Manufacturing Company, Henry A. Dix and Sons Corporation and the Eastman Kodak Company are among those which require two years of continuous service. The plans of these three companies are in various respects unusual and liberal.

In some plans, employees earning more than a stated salary are excluded from subscribing to stock. Here again, the stipulation is most frequently made when the terms of the plan are liberal. Thus the Procter and Gamble Company confines its plan for stock ownership, under which the shares participate in profit sharing dividends, to employees of six months' service earning less than $2,000 a year. This company has less liberal plans, however, for other groups of employees. The maximum salary is usually placed higher than $2,000. The Laurentide Company limits its plan, for example, to an employee of one year's service whose annual earnings are less than $5,000; the American Brake Shoe and Foundry Company excluded those earning more than $7,500.

Some companies which have had experience with at least one plan of selling stock specify in their new offering that the employee, in addition to a certain period of service, must retain at

least two-thirds of the stock he has acquired in order to be eligible to subscribe for more stock.

Other companies, again, confine their offerings or allotments to groups of employees limited by their position as well as their years of service. Three or five years' service is in these cases a usual requirement. In a few instances, the annual salary received is considered to mark off the group. Usually, however, if it is intended to limit the acquisition of stock to a small body of executives, it is further specified that the eligible list is to be made up, or at least approved, by the board of directors or the higher officers of the company.

It is not unusual for a company to make its original offer to a narrow group of employees and its subsequent offers to larger groups. The Yale and Towne Manufacturing Company commenced its plan three years ago by offering its stock to those in managerial positions of ten years' service; its second offering, made the following year, included all employees of five years' service; its third offering, made in 1925, included any employee. The Stromberg-Carlson Telephone Manufacturing Company, to give but one more instance, also gradually changed its plan to include an increasing number of employees.

3. *Description of the Securities Offered*

(A) THE STOCKS OFFERED AND THEIR SOURCES

In a large majority of the plans just one kind of security is offered: either the preferred stock (which may bear a different name) or the common stock. Common stock would seem to be offered a little more frequently than preferred. Sometimes the employee is required to subscribe for a "block" consisting of both preferred and common,[1] in a specified ratio, or he may be allowed to select either. The latter is true especially of the plans of those railroads which have preferred stock issues, where, in most instances, some official of the railroad simply

[1] See the plan of the National Machinery Company in Appendix B.

acts as an agent for the employee, acquiring for him in the market such stock as he may order.

The employees of the Pennsylvania Railroad may subscribe for any securities of the System through two of their own organizations: the Pennsylvania Railroad Employes' Provident and Loan Association and the Mutual Beneficial Association of Pennsylvania Railroad Employes, Inc. Any member of the employee's family may also purchase securities through the second of these organizations. The Commonwealth Edison Company offers the help of its Employees' Service Division to employees or their friends, should they wish to invest at a time when there is no campaign to sell stock, the prospective investor being introduced to the brokers with whom most of the Company's employees transact their business. The Central Hudson Gas and Electric Company maintains an "investment association" through which its employees acquire its securities.[1]

Of all companies, the International Harvester has apparently the most flexible arrangement. The sums which its employees have to their credit on "I.H. Investment Certificates" can be used to buy any legitimate securities, not necessarily the securities of this company, which the employees may select, or can be used to purchase a home or to pay off a mortgage.

Aside from the regular issues of preferred or common stock, companies sometimes sell a third kind of stock to their employees, stock of an issue created especially for them and usually designated by such a name as "employees' special stock." Stocks of this type are preferred as to assets before common stock, and are, as a rule, non-voting. Their par value is generally $10 a share. The fixed dividend rates are from six to eight per cent, but in some cases if more than a stated minimum dividend is paid on the common stock, additional percentages are paid by stipulation on the special.

[1] The company writes that the employees seem to prefer this device because of the wider range of securities obtainable.

Special stock is offered by comparatively few companies. Some have been led to create it because no other security of the company was available for sale to employees. Others, desiring to avoid dispersion of the closely held common stock of the company, have created a special stock to which they have attached the stipulation that, if the employee's service should terminate or he should wish to sell, he must first offer it to the company at an established price. The Dennison Manufacturing Company was reorganized in 1911 in order that a stock might be created to do away with absentee ownership and control; but this stock is of so unusual a character that it cannot be understood out of its context.[1]

Nearly all of the stock sold to employees is either first bought in the market from owners who wish to sell or consists of treasury stock previously authorized but not issued. Companies selling stock from one source are approximately as numerous as those selling stock from the other source. In some cases an issue of ordinary capital stock has been authorized by the stockholders for the purpose of selling it directly to the employees. In these cases the company may be said to be raising capital for the conduct of its business through the channel of the stock-purchase plan.

Most of the large industrial corporations, however, buy stock in the market. Here, for example, are the American Tobacco Company, Armour and Company, E. I. du Pont de Nemours and Company, General Cigar Company, Great Western Sugar Company, Long-Bell Lumber Company, Loose-Wiles Biscuit Company, National Biscuit Company, Pittsburgh Coal Company, Procter and Gamble Company, Swift and Company, United States Steel Corporation, and the Yale and Towne Manufacturing Company. In addition all of the railroads that sell stock to their employees buy it in the market for them.

The chief companies offering treasury stock are the American

[1] It is further discussed in Section 4.

Telephone and Telegraph Company, the International Harvester Company, the various Standard Oil companies and the local electric utilities.

A new principle adopted by several companies which are in a position to sell unissued stock is that, in case the market price goes below the price at which the shares are offered to employees, the stock will be bought in the market. Some companies expressly declare that the stock may either be so acquired or issued from the treasury.

In a few cases the entire offering has come from the holding of an individual.[1] One-half of the 20,000 shares[2] set aside for the employees of the Eastman Kodak Company were donated by Mr. Eastman, the other half consisting of treasury stock expressly set aside.

(B) INFORMATION GIVEN OUT REGARDING THE STOCKS

Putting aside all question of whether the stock is actually a suitable investment for the employee, we may now ask whether he is entirely free to buy and also, if he is free, whether information is put before him to help him to make a decision.

Where the plan is primarily a profit sharing plan, and profits are distributed in stock, the need for a decision does not arise. Among three hundred companies studied, which sell stock, however, apparently only one requires each employee to subscribe for at least a minimum amount, and even this company permits the employee to decide whether or not he will buy more than the minimum. Hence, very generally, it can be said to be

[1] In the case of the banks it has usually been possible to offer stock only by reason of certain large holders agreeing to sell a limited number of shares or to sell their rights to new stock at less than their market value. Sometimes, too, bank stock has been obtained from an estate.

[2] Of a par value of $100 a share. These shares have since been split up into 200,000 shares of no par value but having a market value in excess of $100 a share.

incumbent upon the employee to decide whether he will buy or not.[1]

Is assurance expressly given that the employee may freely decide for himself? Many companies are careful to emphasize his freedom of action. A clear instance is that of the American Telephone and Telegraph Company which announces in heavy black type at the end of the pamphlet outlining its plan: "No employee is under any obligation to purchase stock. The present standing and future prospects of an employee will not be affected in the least degree by his decision as to the purchase of stock." Statements similar to this one are common. The language of the B. F. Goodrich Company is slightly different: "Particular attention is called to the fact that no employee is obligated in any way to participate, and participation is invited strictly upon the basis of the attraction which the plan may hold for individual employees." And the American Tobacco Company states: "Employees have expenses and calls for money that we here know nothing of, and we would not willingly induce any employee to take his allotment unwillingly, and by the thought that by failing to take his allotment he might lose favor in any way with the officers of the Company. It is a great satisfaction, though, to feel that we are helping employees to the independence that comes from competence."

Sometimes, as if to forestall the making of wrong inferences by employees, the company is careful to state, conversely, that its right to discharge is not impaired by the employee's subscribing for stock.[2]

[1] In this connection one company writes that its employees are under no compulsion to buy stock but, whenever they have done so, they are required to retain at least one share of preferred.

There are also the rare cases of the Kansas Flour Mills Company, which pays part of the employee's annual compensation in stock, and of the Henry A. Dix and Sons Corporation which gives an employee of two years' service "additional compensation" of which a minor part is cash and a major part is credited toward payment of an allotment of stock.

[2] But in at least one case the right of discharge is restrained. The board of directors of the A. W. Burritt Company selects employees to whom, after ratification of their names by the stockholders at their annual meeting, stock is

If the employee is to retain freedom of decision, he must have positive information about the project that is open to him. A decided minority of the corporations attempt in their printed circulars to instruct the employee regarding the reasons for fluctuations in the market price of stocks or the possibility that earnings might be insufficient to pay dividends. Very few companies, it may be repeated, distribute to their employees circulars similar to those used by brokers to acquaint the general public with the financial aspects of a company whose securities are offered for sale.

There are interesting instances, however, of companies that elaborately explain their offers. The General Motors Corporation, for example, distributed with its leaflet stating the terms of recent offers a pamphlet entitled: "An Analysis of the 7 per cent Preferred Stock of General Motors Corporation," which was also reprinted in the employee magazines of its subsidiary corporations.

The Hood Rubber Company in the circular offering the employees' special stock carefully describes the capitalization of the company and explains the dividends on the different classes of stocks. It emphasizes the importance of savings accounts, life insurance and ownership of homes, which it places ahead of good stocks. The employees' special stock, it adds, though better protected than the common stock, is, like that stock, at the risk of the business.

The Yale and Towne Manufacturing Company points out that its employees may secure a copy of the annual statement of its condition from the treasurer, who will also give explanatory information to those who wish it.[1] This company sells its stock to employees at the market price.

allotted under the terms of their "Common Stock Contract." Such employees, and the holders of common stock, may not be discharged except by a vote of the board of directors, approved by a vote of the stockholders at their annual meeting. This arrangement applies, of course, only to a limited group of employees.

[1] A number of companies advise their employees to ask information of an official of the company, not always, however, designating the official.

Those companies which offer their shares at the market price more frequently give information about the stock and its dividend record in their circulars than do the companies making concessions in the price, or qualifying it by contributions or bonuses. Among the railroads, for example, the statement of the Illinois Central Railroad Company, is typical: "The Company *does not and cannot guarantee* the stability of the market value of the stock, nor can it guarantee the stability of the dividend. All that the Company can do is to point out to the employes that the stock is subject to fluctuations on the open market, a condition to which any listed stock is subject; and to direct attention to the fact, however, that the Illinois Central Railroad Company has continuously paid cash dividends since 1860 to the present time. Since 1905, with the exception of 1913 to 1916, inclusive, 7 per cent has been paid annually on the Common Stock; 6 per cent has been paid on the Preferred Stock since its first issuance in 1922."

A number of companies have modelled the explanation they give of their stock on the "question and answer" system adopted by the Standard Oil Company (New Jersey) in the last few pages of its pamphlet. The Great Atlantic and Pacific Tea Company, for example, declares in answer to questions: "The Common Stock is subject to the risks pertaining to ownership of Common Stock. The stock may increase or decrease in value. This is the chance each subscriber will share in common with every other stockholder of Common Stock." . . . "For a number of years the business has paid dividends regularly, but they cannot be guaranteed to anyone."

The Belden Manufacturing Company coupled a warning with its offering of capital stock in 1921, after giving the company's dividend record: "No dividends have been paid this year and none will be paid until a resumption of earnings sufficient to pay them is made possible by better business conditions."

The pages of the employee paper or magazine are used by some companies to give more detailed information about the stock offered than is contained in the circular. Thus the California Petroleum Corporation, which introduced a plan for its employees in January 1926, had an article in the *Calpet Rotary* the following month on "What is behind Calpet stock?"[1]

Companies which have employee representation plans are likely to discuss stock offerings at their joint meetings. Companies which have no organization sometimes, none the less, call joint meetings to discuss the offering.

In the evidence examined there is an instance of one company, the Old Dominion Company, which explained to its employees that it would not sell them its stock because of the speculative nature of the industry (copper). On request of an employees' committee, however, this company agreed to buy its stock in the market for its employees. Its announcement declares, however: "No Company official shall advise any employee as to when to buy or sell stock under this plan."

4. *The Conditions of Subscription*

(A) SUBSCRIPTION TERMS

The amount of stock an employee may apply for is usually limited by his wages. There are a few instances where no limit is specified but where, if the employee applies for more than the company thinks he can pay for conveniently, his subscription is cut down.[2] There is, for example, no published limit to the amount of stock an employee may buy in the Fuller Brush

[1] Information on stock which an employee may be paying for is also sometimes presented in the employee magazine. Thus the *Standard Oil Bulletin* of the Standard Oil Company of California in January 1926 reprinted the text of a letter sent to stockholders regarding the special meeting called to consider and vote upon the consolidation with the Pacific Oil Company. Another policy of some companies is to give warnings from time to time in the pages of their magazine of the danger of "get rich quick" schemes.

[2] The employee of the Hood Rubber Company who buys its common stock agrees not to buy the securities of any other corporation until he has paid for his Hood stock.

Company, but applications for large blocks are reviewed by the executive committee, and may be refused. The right to reject or reduce any application is reserved by all companies.

If stock is bought for the employee in the market, as in the case of the railroads, the number of shares which he may be paying for at one time is limited; but as soon as he has completed his payments he may subscribe for additional shares, and so on indefinitely. Many large industrial corporations, such as Armour and Company, the Great Western Sugar Company and the National Biscuit Company, follow the same practice. There are also companies which follow this practice even when the stock they sell has not first to be bought.

A careful distinction should be made between the maximum subscription permitted an employee and his maximum holding. If he has sufficient funds and stock is available in the market, the company is not in a position to limit his holdings. If the stock is a special employees' stock, individual holdings are likely to be limited to from $1,000 to $2,500.[1] Otherwise, the custom is merely to specify the maximum subscription which an employee may make. The variations in maximum subscriptions when stated in terms of money are wide, as the following table indicates:

American Tobacco Company, The	$2,060.
Budd Manufacturing Company, Edward G.	1,400.
California Packing Corporation	3,750.
du Pont de Nemours and Company, E. I.	980.
Eaton, Crane and Pike Company	500. (in one year)
General Motors Corporation	1,140.
Hercules Powder Company	525.
Hotels Statler Company, Inc.	2,000.
International Harvester Company, Inc.	3,000.

[1] The Clark Equipment Company in the announcement of its profit sharing plan in 1920 said: ". . . the total shares of stock issued to employes under this Scheme for 1920 and all previous years shall not exceed a total of 25 per cent. of the whole number of issued shares of the Clark Equipment Company."

Jones and Laughlin Steel Corporation	545.
Mead Pulp and Paper Company, The	5,000. (in one year)
Pullman Company, The	2,800.
Simmons Company	4,875.
Studebaker Corporation, The	300. (in one year)
United Cigar Stores Company of America	2,500.
United States Steel Corporation	1,768.

The method of the United States Steel Corporation, which indicates the number of shares that any employee may subscribe for, has been modified to suit the needs of a large number of companies which make limited offerings of their stock. In its 1926 offer, this corporation listed thirteen wage groups. The lowest of these (employees receiving annual wages of $1,360 or less) were entitled to subscribe for one share at $136. In other words, the employee's subscription was limited to about one-tenth of his compensation. An employee in the highest group could subscribe for thirteen shares, which would be only about one-twentieth of his compensation. Thus the higher salaried employees were not permitted to subscribe for as many shares proportionately as the lower salaried.

It should be noted, too, that when an offering is oversubscribed, the smaller subscriptions are usually allotted in full, while the larger ones are cut down.[1] It is rare that subscriptions to a limited offering are allotted in the order of their receipt.

A considerable group of companies, however, do not attempt to favor one salaried group at the expense of another. They declare simply that the employee may apply for one share for each $300, for example, of his annual wages. The range of the

[1] The New York Central Railroad Company's offering, in 1925, of 35,000 shares was oversubscribed by 61,900 shares. The company obtained 33,747 additional shares and made allotments as follows: subscriptions for one and two shares were allotted in full; for three and four shares, two shares were allotted; for five to eight, three; for nine to twelve, four; for thirteen to sixteen, five; for seventeen to twenty, six.

unit of wages is from $100 to $500.[1] Annual wages are usually calculated from a rate paid the employee during a preceding period.

The relation which the maximum subscription bears to the employee's wages, under the two plans just outlined, obviously depends on the price of the stock. The ratios never, however, fall outside the limits discussed below. An employee, as a rule, may subscribe for less than the maximum number of shares to which he is entitled. Some companies, particularly those offering stock of a low unit value, do, however, specify a minimum subscription, usually of five or ten shares.

A third large group of plans declares the maximum subscription of an employee to be a percentage, or a fixed amount, of his annual wages. The range is from ten per cent stipulated by, for example, the Great Atlantic and Pacific Tea Company, to more than one hundred per cent permitted under the unique arrangement of the A. W. Burritt Company whereby an employee, in the group selected by the board of directors, may subscribe for $1,000 worth of stock for the first $1,000 of his salary and five times the amount in excess of $1,000.

This wide variation in the relation between an employee's subscription and his annual earnings is explained in part by the period of time allowed for completing the payment. The employee of the Burritt Company, for example, has apparently unlimited time in which to pay. In fact, he need pay only ten per cent during the first year, and may depend upon dividends received to pay for the rest. The total subscription permitted by the Burritt Company is unusually large. There are several plans, however, under which a single subscription of an em-

[1] The employees of the following companies were or are permitted to subscribe for one share of stock for the unit of wages listed: American Telephone and Telegraph Company, $300; Bethlehem Steel Corporation, $400; Chicago, Rock Island and Pacific Railway Company, $300; Electric Storage Battery Company, $500; B. F. Goodrich Company, $300; Long-Bell Lumber Company, $200 (that is, the employees earning less than $3,000 annually); and the Pullman Company, $500.

ployee may equal his annual wages. He is then usually allowed a longer time in which to complete his payments than is the employee whose subscription is limited to fifteen, twenty, or twenty-five per cent of his annual wages. The percentages just cited are those most frequently used to limit an employee's subscription and should not be confused with the percentages stated in such a plan as that of the Standard Oil Company (New Jersey), for example, which says that an employee may have deducted from his current wages each pay day "a sum not in excess of ten per cent thereof. . . ." If the employee began his participation in the plan on the date when it went into effect, he would, at its termination in three years, have deposited about one-third of one year's wages for the purchase of stock.

An employee of the Curtis Companies, Inc., may purchase an amount of stock equal to twice his annual wages and the company pays additional dividends for length of service on that amount of stock;[1] no limit is set to the time an employee may have to pay for his subscription. Among the companies which permit subscriptions up to the full amount of wages are the International Harvester Company, the Mead Pulp and Paper Company and the International Cement Corporation. The International Harvester Company employee, under a plan which went into effect in July 1924, may subscribe for I.H.C. Investment Certificates for $100 or any multiple thereof up to the amount of his annual wages but not more than $3,000 and he has until January 1930 to complete his payment. The Mead Pulp and Paper Company and the International Cement Corporation allow five and four years, respectively, for payment.

In contrast with these periods are those of the E. I. du Pont de Nemours and Company and the General Motors Corpora-

[1] An employee may purchase more, but he receives only the regular seven per cent dividend on the additional amount.

tion which are only one year, but the subscriptions in these cases are not only limited to twenty per cent and thirty-three and one-third per cent, respectively, of annual earnings, but may not exceed ten shares at $98 each in the case of du Pont's and ten at $114 in the case of the General Motors. It should be emphasized, however, that the employee is by no means always required to complete payment of a small subscription in a short time while, in the case of the larger subscription, it is essential that he have a long time for payment.

Not only wages but years of service may be used in prescribing maximum subscriptions. For instance, employees of the American Brake Shoe and Foundry Company, continuously in its service for more than three years prior to June 1, 1921, were entitled to subscribe for one share of stock for each year beyond three. Henry L. Doherty and Company prescribed that an employee of less than one year's service might subscribe up to twenty-five per cent of his annual salary; of one to three years' service, fifty per cent; of three years' service or more, one hundred per cent. It was stipulated, however, that no employee might subscribe for more than would make his monthly payments exceed twenty per cent of his salary.

The stock given by Mr. Eastman to the employees of the Eastman Kodak Company was distributed to those who had completed two years or more of continuous service before January 1, 1918. Each eligible employee was allotted stock, at par, equal to two per cent of his wages during such continuous employment.

The Intertype Corporation differentiates between the employee paying on the instalment plan and the employee paying cash. The former, if he has been with the company less than five years, may subscribe for an amount of stock equal to approximately one-fourth of his yearly wages; if he has been with the company five years or more, the amount is approximately one-half. If he pays cash and has less than five years' service,

he may subscribe for stock equal to one-half his wage; if he has served more than five years, an amount equal to one year's wages.

An employee of the Pennsylvania Power and Light Company may buy up to 250 shares of its preferred stock, at $95 a share, for cash. If he wishes to pay on the instalment plan, he may subscribe for not more than ten shares, at $100 a share. He agrees, however, not to sell any of the stock purchased outright for cash for two years; or if he must sell, to offer it to the company at the price he paid.

There is a group of plans which have for their central feature a "profit sharing fund" where the employee's share varies with the contributions he makes to it and may, at the end, be disbursed to him either in securities or cash. A typical instance is the "Employees' Savings and Profit Sharing Pension Fund" of the Crowell Publishing Company.[1] An employee may deposit five per cent of his salary but not more than $12.50 monthly. The company contributes annually five per cent of its net earnings during the previous year, crediting a proportionate amount to the accounts of the participating employees. The moneys are invested in the common stock of the company as far as possible. After an employee has completed ten years of continuous service and has been a depositor in the fund for at least seven years, he may withdraw his account receiving therefor either cash or securities, at the option of the trustees.

The "savings fund" plans of a number of companies are similar to this of the Crowell Publishing Company in that the amount which an employee may deposit is limited to five per cent of his wages (the option given is ordinarily either three or five per cent) and either cash or securities may finally be de-

[1] This company also makes an annual offering of non-voting common stock to its employees, which may be paid for in cash or in instalments extending over a year.

livered. These plans usually run for only five years, however.[1]

While it is not within the province of this study to discuss partnership plans as such, one instance may be introduced since in some respects it simply goes farther than other plans considered. Here both the amount of stock distribution and the dividends paid on it depend upon the profits earned by the company.

In 1911, the Dennison Manufacturing Company provided that all profits earned above a fixed dividend on first preferred stock should be reinvested in the business and distributed in the form of "industrial partnership stock" among employees of five years' service whose position required the exercise of managing ability or whose work required the use of a high degree of imagination, tact or business judgment. A few years ago the plan was revised so that once a year all employees of two years' service or more should receive in the aggregate one-third of the profits previously available for stock distribution to the managerial or principal employees, and should receive it in the form of "employees' industrial partnership stock" which differs from the "industrial partnership stock" only in that it lacks voting power and is awarded on the basis of length of service, whereas the amount of industrial partnership stock distributed varies with the salaries of the recipients.

(B) VOTING RIGHTS

If a special issue of stock is sold to employees only it is usually, as has been pointed out, a non-voting stock.[2] If a regu-

[1] For further details with regard to "savings and investment funds" see the statements with regard to the Famous Players-Lasky Corporation, the Pure Oil Company and the General Motors Corporation (footnote) in Appendix B. The plan of the Philadelphia Rapid Transit Company is somewhat different; that of the Brooklyn Edison Company, Inc., is continuous having an interesting connection with a profit sharing device. See also in Appendix B descriptions of several plans having profit sharing features of interest, notably the Clark Equipment Company, the Bank of Italy (San Francisco) and the United Alloy Steel Corporation.

[2] The explicit statement of the Fox Paper Company is that no holder of its shares of employees' preferred participating stock may be on the board of

lar issue is sold, the employee, after his stock is paid for and his certificate has been made out, may exercise all the privileges which other stockholders have.

There are some variations, however, from the general rule. Swift and Company, like a few other companies, provides that the certificate shall be made out in the name of the employee when he makes his initial payment. The A. W. Burritt Company gives the employee the privilege of attending meetings of stockholders while he is still paying for his stock but not the privilege of voting. The International Paper Company will not deliver the employee's certificate before July 1, 1926, whether he has previously paid for it in full or not, but yet entitles him to vote his stock even before he has paid for it.

The president of the Clark Equipment Company calls not less than four meetings each year of the holders of its shares of employees' participating certificates. "It is contemplated that all such employe stockholders shall enjoy as full knowledge of the affairs and business of the Company and shall have as full voice in its management as is consistent with the rights and interest of other stockholders, and it is further contemplated that stockholders who are employes are entitled to more complete knowledge of the affairs and business of the Company than is usually given to corporate stockholders who are not employes." The employee stockholders of the Stetson Shoe Company are entitled to select a representative, who must be an employee, for election to the board of directors. The board agrees in advance to cast its votes for the employee selected.

Sometimes, however, the employee's certificate is withheld from him for a period of from three to five years, or even longer. During this period even though the stock has been paid

directors, vote at any election of the company, inspect its books or participate in the management or control of the company in any manner.

for in full by the employee's credits, it continues to be voted by a trustee or trustees.[1]

Mr. Arthur Nash reserved the right to vote for five years the $600,000 stock dividend he turned over to his employees in 1924, partly selling it, partly giving it. His purpose was to give the employees time in which to acquire the fitness to manage the company since, at the end of that term, they would own a majority of the stock.

So long as the financial affairs of any company are managed successfully, its stockholders, whether employee or otherwise, do not usually exercise their voting rights. In some instances, even where meetings are held at the company's plant, the employee stockholders, though entitled to attend them, remain absent. The employee stockholders of the Firestone Tire and Rubber Company,[2] on the contrary, are declared to attend in large numbers, 14,000 being present at the most recent meeting. At the last annual meeting of the Pennsylvania Railroad, many employee stockholders are declared to have been present.

5. *Financial Details of the Transaction*

(A) PRICE OF THE STOCK. BONUSES AND CONTRIBUTIONS BY THE EMPLOYER

The price at which stock is sold to employees is most commonly the current market price. A few small companies offer it at book value and some companies offer it at par which may be approximately the market price also. If a standing offer is made to employees, or if the plan extends over a period of years, the price is usually adjusted from time to time to an average of market prices during several preceding months. The Commonwealth Edison Company, whose savings fund plan extends for five years, set the so-called "investment price" when

[1] Trustees may be a committee of three or more, one or more of whom may be employees.

[2] This company holds the employee's stock certificate for five years but he has full voting rights during that time.

the present fund was started, which is the price at which employees may acquire the stock, if they so elect, at the termination of the fund. While one or two other companies have similar plans, it is unusual to fix a price for so long a time.

The employee-investor frequently has an advantage over the outside investor by reason of the bonuses paid on his stock or the company contribution towards the payment of it. The payment of a bonus on employees' stock was apparently originated by the United States Steel Corporation. It depends upon the employee's continuing in the service of the company and retaining his stock. The recent official language of the corporation is that if an employee "will keep the stock and in January of each year, for five years, commencing with January 1927, will exhibit the certificate to the Treasurer of his company, together with a statement from a proper official that he has been continuously in the employ of the Corporation or of one or another of its subsidiary companies since the date of his subscription for the stock and during the preceding year, and has shown a proper interest in its welfare and progress he will for the first year receive a cash payment of $3.00 per share for each share of Common stock, for the second year $4.00 a share, for the third year $5.00 a share, for the fourth year $6.00 a share, and for the fifth year $7.00 a share."

The idea, as well as the phraseology in the above quotation, has been adopted by a group of important companies, the chief variation being in the amount of the credit or payment per share. The range is from 50c to $5.00 a share annually, the payments continuing as a rule for five years. The general practice is to have the bonus for each year the same rather than ranging upward as in the more recent practice of the Steel Corporation.

Whether a bonus shall be credited or paid in cash depends usually upon whether the payments for the stock have been

completed or not.[1] The International Harvester Company pays in cash a bonus of $2.00 a share in January of each year, for five years, on only such shares as were paid for before February 1 of the preceding year. This company also credits each employee-subscriber, on January 2 of each year from 1925 to 1930 inclusive, with an amount equal to one per cent of the wages paid him during the preceding year, if he has earned more than $100 and is still in service. The second and subsequent credits may not be less than $10 nor more than $30.

E. I. du Pont de Nemours and Company[2] pays $3.00 a share annually for five years after all of the stock has been paid for, and the General Motors Corporation pays $2.00 a share annually, for five years. The Terminal Barber Shops, Inc., makes a payment of $5.00 a share a year for five years, but pays the entire sum at the end of the five years. Armour and Company pays $2.00 a share a year, for five years, even though the stock stands in the name of the wife or child of an employee.

The employee who keeps his stock and stays with the company for the entire period during which bonus payments are made usually receives an additional reward, namely, his pro rata share of the bonuses which have been forfeited by employees selling their stock or discontinuing their service with the company. The forfeited bonuses are accumulated in a fund upon which the company credits five or six per cent interest and are distributed at the end of the bonus period.

The plan of the Standard Oil Company (New Jersey) is the principal model for the partial payment of employee's stock by the company. Concurrently with the regular payments made

[1] The Goodyear Tire and Rubber Company, when it offered second preferred stock to its employees in 1919, agreed to pay a bonus of $3.00 a share a year on it for five years. The stock paid no dividends after October 1920, but the company continued to pay the $3.00 a share bonus.

[2] This company permits an employee to use his stock as collateral for a loan without impairing his right to the extra payments. Some companies have a more stringent provision. The Yale and Towne Manufacturing Company, for example, does not credit or pay the bonus of $4.00 a share which it allots for five years, if the employee pledges his stock for a loan without the consent of the company.

by the employee, this company contributes an amount equal to fifty per cent of his payments, for his credit. The employee thus pays only two-thirds of the price charged him for the stock. Some of the companies that have modelled their plan on that of the Standard Oil Company contribute an amount equal to only twenty-five per cent of the employee's deposits.

Another method of reducing the cost of the stock to the employee is that of the Procter and Gamble Company which grants so-called "profit sharing dividends" on the employee's wages, the percentages varying from ten to twenty, depending upon the number of years he has been acquiring stock. These dividends are credited as payments on the stock.

The payment of additional dividends on the stock of an employee, dependent upon years of service, is a device employed by some other companies. The Intertype Corporation sells its regular issue of preferred stock to employees and pays in addition to the regular dividend, on dividend dates, one per cent to employees of two to three years' service, regardless of whether the stock is paid for or not; two per cent to employees of three to four years' service, three per cent to those of four to five years' service, and four per cent to those of five years' service or more so long as they remain in the employ of the company. On the other hand, the Mead Pulp and Paper Company credits its "service premium" of two and one-half per cent a year, for employees of between five and ten years' service, on all of the stock subscribed for, for five years, as payment on the stock. Five per cent is credited for employees of more than ten years' service. The Studebaker Corporation credits the regular dividends on the stock and an additional sum, equal to one-half of the dividends declared, until the employee has paid for his stock and received his certificate.

Henry L. Doherty and Company has a unique provision in this connection. If under the 1925 offering, for example, an employee has paid for his subscription in full on or before

February 15, 1930, and owns all of the securities originally subscribed for, there will be purchased for him Cities Service Company preferred stock in an amount equal, at the then existing market price, to twenty-five per cent of his payments, exclusive of interest. This additional stock is delivered to him without further payment.

(B) TERMS OF PAYMENT

A considerable number of companies permit the employee to pay cash in full for his subscription if he desires. In general, however, one of the reasons for a company's arranging to sell its stock to employees is to permit them to buy it on the instalment plan through deductions from their wages. Some companies give them the option of paying the instalments in cash, and one or two stipulate that they shall pay them in cash.[1]

The interval between payments, the amount of each payment, and the period in which payments must be completed are ordinarily prescribed.

To reduce clerical work, the cost of which is customarily borne by the company, some companies find it desirable to deduct the employee's payments from his wages not oftener than once a month, even though he is paid more frequently. A considerable number of plans, however, require weekly, semi-monthly or monthly deductions, depending upon how often the employee is paid. Some employers feel, too, that the employee will consider small weekly payments less burdensome than equivalent monthly payments. On the whole, however, the monthly deduction is the commonest.

The instalments to be deducted are stated as a fixed amount in even dollars usually, or as a percentage of the wages. Sometimes the only specification is that the stock shall be paid for in full within a certain time, which may be as much as five years

[1] The Chicago Pneumatic Tool Company requires, for instance, at least $2.50 quarterly to be paid in cash.

or as little as about one year. The Corn Products Refining Company, for example, requires monthly payments over five years. The Great Western Sugar Company, after an initial payment of at least $10 a share, requires payment of the balance in twelve equal monthly instalments. The American Optical Company stipulates that payments shall be in forty-nine weekly instalments.

An initial deposit or payment, usually of $5.00 a share, is sometimes required.[1] Upon receipt thereof the stock may be issued in the name of the employee, who gives his note for the balance due, yielding up the stock as security until the note is paid off.

The commonest regular deduction, in terms of a fixed sum, is $1.00 a share weekly or $4.00 a share monthly. The lowest sum specified in any current plan is 50c a share monthly (required by the United Alloy Steel Corporation).[2] Even smaller payments per share have been permitted. The Radio Corporation of America, for example, gave its employees the option of paying 2½c weekly, or 10c a share monthly; but no employee was allowed to subscribe for less than twenty shares (of $5.00 par —since superseded). An employee of the United Cigar Stores Company may pay for his stock at the rate of 25c a share monthly, but may not subscribe for less than five shares. A small instalment price per share usually implies a low total price per share.

The maximum instalment required by an industrial corporation is that of the General Motors Corporation which offered its preferred stock in 1926 at $114 a share, to be paid for at the rate of $10.50 a share monthly.

At the suggestion of its employees, the Tide Water Oil

[1] The banks and railroads selling stock to employees almost all require an initial payment of $5.00 or $10.00 a share, and monthly payments ranging from $2.00 to $15.00 thereafter. Five dollars a share a month, or multiples thereof, is the commonest stipulation.

[2] This sum is also one of the options given the Tide Water Oil Company's employees discussed in a later paragraph.

Company (since merged in the new Tide Water Associated Oil Company) gave its employees the option of paying 50c, $1.00 or $1.50 a share monthly. There are other companies which give similar options, regardless of what the employee's wages are, thus enabling any employee to acquire his stock more quickly by making the highest rate of payment. Another modification of the instalment plan is to give the employee the privilege of paying additional amounts at any time in cash, even to the extent of allowing him to pay up in full at any time. In fact, there are comparatively few companies which insist that monthly instalments shall be a certain sum, no more and no less. The sum specified is usually a minimum.

A group of important companies, instead of fixing a minimum amount to be paid periodically on each share, simply state that the deduction may not exceed a certain percentage of the monthly wages—ten per cent in the case of the Standard Oil Company (New Jersey); or may not fall below a certain percentage—five per cent in the case of the Procter and Gamble Company. The maximum percentages allowed under most plans range from ten to twenty-five, twenty per cent being common.

If a plan is primarily a device for encouraging systematic saving and only incidentally a means of acquiring stock, such as the Employees' Savings Fund of the Commonwealth Edison Company, for example, the percentage of his wages which an employee may deposit is much less than is usually stipulated in stock purchase plans. Thus, an eligible employee of the Commonwealth Edison Company may pay only either three or five per cent of his wages each pay day into the Savings Fund for five years. He may change his percentage from three to five, or from five to three, on July 1 of any year, upon written request.

As in savings funds, so in profit sharing funds where some saving by the employee is also required and where distribution

may be made in cash or stock, the percentage of his wages which an employee may deposit is lower than in most stock acquisition plans.

(c) DIVIDEND CREDITS AND INTEREST CHARGES

Most companies credit to the employee's account, as part payment for his stock, the dividend declared on his shares. Some companies, instead, credit his account with interest on the instalments paid, ranging, as a rule, from four to eight per cent.[1] A third group of companies pay him his dividends directly, either in cash or by check, just as though he had paid for his shares in full; their procedure is calculated to make him appreciate immediately one of the benefits of investment. The General Motors Corporation sends the dividends direct to an employee provided he has paid his monthly instalments promptly. A few companies give him the option of having his dividends credited or of receiving them in cash.

The credits of dividends are offset, in part at least, by the interest which is usually charged on deferred payments. One company takes the precaution of declaring that no interest shall be charged on the unpaid balance of an employee's subscription unless the stock pays dividends "in which case interest will be charged at the same rate as the dividends declared and paid." Another company declared, in its plan which has been discontinued, that if the dividends were not equal to the six per cent interest charged, the interest rate should be reduced correspondingly. In 1917, when the Firestone Tire and Rubber Company made an offering of stock, it provided that six per cent interest should be charged on the deferred payments; but as the dividend rate was then only $4.00 a

[1] Ten per cent is paid by the Curtis Companies, Inc., to employees of ten years' service or more. The case of the Terminal Barber Shops, Inc., is referred to in a later footnote.

share, the difference was made up from a special fund. Business conditions may govern to some extent the rate of interest charged, but the evidence suggests that it is sometimes fixed with primary reference to the dividend rate of the stock.

In a very few cases interest is charged on the deferred payments even when no dividends are paid or when the dividends are less than the interest. Only two per cent was being paid on the stock of the Kroger Grocery and Baking Company when it was offered to employees in 1925. These dividends were to be credited and five per cent was to be charged on deferred payments. The stock was sold at $95 a share, however, while its market price was $125, the company calculating that the concession in price, plus the dividends, would give the employee a return of seven per cent over the six years required to pay for the stock.

In those cases where interest is credited on the employees' payments, some companies do not charge interest on the deferred payments. In a few cases the credited interest is paid to the subscriber in cash when he makes his final payment.[1] In only one instance apparently is it required that the interest charged be paid in cash: the Edward G. Budd Manufacturing Company, which pays the dividends on the stock direct to the employees, requires that the interest charged on unpaid balances be paid in cash also.

The Pilgrim Steam Laundry Company has simplified its plan still more by neither crediting dividends nor charging interest. In other words, the employee does not receive any return on his money until after he has paid for his stock in full. Another company simplifies its bookkeeping by beginning to credit dividends only after the stock is half paid for. A similar result is

[1] When an employee of the Terminal Barber Shops, Inc., completes his payments he is paid in cash a lump sum of $5.00 for each share he has bought. This is said to be equivalent to ten per cent interest on payments.

reached by the National Machinery Company which retains every alternate dividend upon preferred stock.[1]

Most plans provide that the employee's direct payments shall apply to both principal and interest. In some cases it is provided that dividend or interest credits shall apply only to the interest charges, the difference between the two being adjusted at the time of the final payment. The International Paper Company requires its employees to pay the interest charged in minimum instalments of $1.00 a week after the payments on principal have been completed.

The Procter and Gamble Company uses the interest rate as a device to expedite payments in its plan for employees not eligible to the profit sharing dividend plan. If an employee reduces his obligation at least fifteen per cent in one year, he is charged only four per cent on his deferred payments; if he does not reduce it fifteen per cent, he is charged six per cent.

Several companies, the Eastman Kodak Company notably, provide that the employee may pay for his stock entirely by the dividends accumulating on it. The John B. Stetson Company, which likewise allots stock to its employees to be paid for out of accumulating dividends, holds the stock in trust for fifteen years whether it has been paid for or not.

(d) Rights to subscribe to new stock and to receive stock dividends

Most plans ignore the possibility that, while the employee is paying for his stock, stockholders may receive rights to subscribe for more stock or may receive stock dividends. A few plans expressly provide, however, that the market value of either the rights or the dividend, as the case may be, shall be credited to the employee. Some declare that it shall be within

[1] The company also sells common stock to its employees, crediting dividends thereon. Several other companies which sell both preferred and common stock to employees provide that the dividends on the preferred shall be credited while those on the common stock shall be paid in cash.

the discretion of the board of directors to withhold stock rights or stock dividends and deliver them to the employee after he has paid for his stock in full.

The plans of the oil companies generally give the employee the option of purchasing the additional stock on the same terms as any stockholder of record if the right pertains to his stock while it is in the hands of the trustees; the latter delivers the stock at the termination of his trusteeship. The employee is permitted by some companies to use any balance which he may have in his account with the trustee towards the purchase of the new stock. If he elects not to buy it, his rights are sold and the proceeds credited to his account. The oil companies usually state that the employee will be credited with his pro rata share of any stock dividend that is declared.[1]

(E) SUSPENSION OF PAYMENTS

In about one-half of the current plans the question, whether an employee shall be permitted under any circumstances to discontinue his instalment payments temporarily without impairing his rights, is ignored. Some companies have indicated that they believe that to consider this subject in their announcements would be to encourage speculative subscriptions. The practice, however, of many companies is to permit the employee to cease making payments for a time, if the need arises, just as if there were a provision for it in the plan. It may be ob-

[1] Recently there have been a number of cases in which a company selling stock to employees has merged with another company, sometimes having a stock acquisition plan of its own and sometimes not. In the plans of the oil companies especially, there is often a provision such as the following: "In the event of reorganization, consolidation or dissolution of the Corporation there shall be substituted for the stock held by the Trustees a proportionate amount of stock or securities issuable to the stockholders of the Corporation upon such reorganization, consolidation or dissolution, and all of the provisions of this Plan with respect to dividends and other rights and obligations shall thereafter apply to such substituted securities, which shall likewise be issued to and held by the Trustees." The plan of the Magnolia Petroleum Company had no such provision but, when it merged with the Standard Oil Company of New York, its employees were given the choice of receiving four shares of stock in the Standard Oil Company for each share of Magnolia Petroleum Company stock standing to their credit, or of receiving $181.23 for each share in cash.

served that whether or not an employee may discontinue his payments without penalty, even for reasons specified, is always in the discretion of the company.

Illness and disability due to accident are the causes for suspension most commonly accepted. The Corn Products Refining Company is especially liberal in these cases: it pays the employee's instalments, in excess of dividends credited, as they become due until he is able to resume work with a full salary; drawing upon a fund composed of miscellaneous sums forfeited by the employees who wholly withdraw from the plan. The Mead Pulp and Paper Company reserves the right to reduce the subscription proportionately in case of illness.

Temporary unemployment or lay-off is another common reason for permitting suspension, and leave of absence is mentioned in some plans.

Payments may not cease indefinitely. Usually a time limit is set, three months being more frequent than any other allowance. The range is from thirty days to one year. The company occasionally declares that it may, in its discretion, extend the time. One railroad company stated in its announcement circular that non-payment of three successive instalments would terminate the employee's right to complete his purchase, but takes an administrative attitude of leniency in dealing with all cases where hardship would be involved.

The practice varies between requiring an employee to make up his back payments when he returns to work, so that he may make his final payment according to the original schedule, and extending the time allowed. A leading industrial corporation writes: "In case of sickness each case is decided individually, the rule being to allow a subscriber a lapse [not exceeding] three months in case it is reasonably certain that he will return to work. In such cases, however, the subscriber is required to make up back payments so that his stock will be entirely paid within one year. In case it appears that the subscriber will be

unable to make up back payments, his subscription is cancelled and settlement made." The Electric Storage Battery Company provides that payments may be suspended by reason of illness or lay-off for not more than six continuous months; upon return to active employment the arrears must be made up by additional monthly payments in amounts not less than the amount of the regular monthly payment.

On the other hand, the Consolidated Gas Electric Light and Power Company of Baltimore permits the employee to discontinue payments for two months usually, without at once making up the omitted payments. The effect is to allow him two more months in which to pay in full. A number of companies follow a similar practice.

The American Telephone and Telegraph Company gives the employee the option of extending his subscription period by three months, or of continuing his payments in case of lay-off or disability. The International Harvester Company gives the employee the option of making up his payments on returning to work or not making them up, but any portion of his subscription not paid off by January 2, 1930, will be cancelled. In general, employees not resuming payments when the period of suspension allowed them has expired may not only suffer cancellation of their subscriptions but may be ineligible to participate in the current plan or a new offering during a specified time, usually one year. If the trustee in the case of the Loose-Wiles Biscuit Company does not feel that there has been sufficient cause for an employee failing to make his payments for four consecutive weeks, he may cancel the subscription, refunding payments without interest; if he considers the reason to be sufficient, he refunds the interest as well.

Another type of provision with regard to suspension of payments, used by the Standard Oil Companies and others, is that if an employee's wages are reduced to fifty per cent or less of his average pay, because of sickness or accident, leave of ab-

sence or temporary lay-off, his payments on stock may be postponed unless the employee requests otherwise. Sometimes a company makes a very flexible arrangement. The Belden Manufacturing Company required in its 1921 offer that subscriptions be fully paid for in not less than three years nor more than five. If an employee should allow his average monthly payments to fall below one per cent of the total subscription for three months without written permission, the company might, however, cancel his subscription.

Some companies indicate indirectly whether an employee may or may not forego his payments by their statements with regard to defaulting. Thus the General Motors Corporation says that if an employee fails to make the minimum payments his subscription will be cancelled. The Brooklyn-Manhattan Transit Corporation reserved the right to cancel a subscription in case of failure to pay an instalment for more than ten days after it was due. If an employee of the National Biscuit Company does not make a payment for six consecutive months his payments are returned to him. Other companies specify various periods during which an employee may default without impairing his rights.

A few companies enforce strictly their rule with regard to payments overdue so that in effect an employee may under no circumstances discontinue his payments without suffering the penalty provided for such an offense. If an employee of the General Cigar Company defaults on a payment when it is due, the company sells the stock he has subscribed for, applying the proceeds in payment of, first, the expenses of the sale, and, second, the amount due on the subscription, including interest; the balance is refunded to the employee.[1] The Narragansett Electric Lighting Company declares that if an employee is ill

[1] The phraseology in this company's circular indicates that it is within the discretion of the company to proceed as indicated in case the employee defaults. The rule is always enforced, however, according to a letter received from the company, dated July 1, 1925.

or away from work for some other reason, he must make cash payments direct to the company, otherwise his agreement will be cancelled.

6. *Adjustments in Special Circumstances*

(A) ADMINISTRATION OF THE PLAN AND INTERPRETATION OF ITS PROVISIONS

Many companies make no direct statement bearing on administration and interpretation. In other cases the company is careful to designate the person or persons under whose general supervision terms of the plan will be fulfilled, and whose decision as to any questions that may arise will be final.

The board of directors, an operating official, or a trustee or trustees appointed by the company are usually designated, the company reserving the right of removal. In the case of the United States Steel Corporation the finance committee has final authority. Usually the person or committee appointed to administer is likewise given final authority to decide, but this is not always the case. By some corporations the final decision as to interpretation is explicitly reserved to the board of directors.

A few plans require that employees shall be represented on the board of trustees or the administrative committee. In nearly all such plans it is stipulated that two employees shall be on a committee or board of five members. The Niagara Falls Power Company has a board of trustees of five members, elected annually, three of whom are employees of five years or more service and subscribers to stock. The three employee members are elected by a majority vote of the subscribing employees. This board recommends action to the executive committee of the company, whose decision is final.

The Intertype Corporation, although its board of directors has final power, provides that all questions that cannot be settled

between an employee and an officer of the company shall be brought before the works council, which may make a recommendation, through the president of the corporation, to the board of directors. The Laurentide Company, Ltd., has its plan administered by a committee of five elected by the works council.

The affairs of the Provident and Loan Association, through whose auspices employees of the Pennsylvania Railroad may acquire stock, are governed by a board of trustees consisting of thirty-seven members, eighteen of whom are elected, by ballot, by the employee members of the Association. This board has the final decision with regard to questions pertaining to the purchase of stock.

Under the terms of the trustee plans, the duties of the trustees may include fixing the price to be charged the employee for his stock, the actual purchase of the stock and the exercise of the voting and other rights pertaining to it, during the period of the trusteeship, as well as all details of administration and interpretation.

(b) CANCELLATION OF SUBSCRIPTION BY THE EMPLOYEE

The privilege of cancelling a subscription is frequently of the utmost importance to an employee because his payments on it may represent the only savings he has to meet an emergency or to take advantage of a favorable opportunity to buy a home. There are comparatively few stock purchase plans which do not permit an employee to cancel his subscription upon request. Some require that the request be in writing; others that it be made from ten to sixty days before the cancellation becomes effective. The employee sometimes has to state the reasons for his request, in which case consent may depend on approval of the reason. A few plans specify the acceptable reasons such as illness, permanent disability, or leave of absence. In case an employee quits or is discharged, the company usually cancels the

subscription, but some companies give their employees the option of cancelling or of continuing their payments.

A subscription must be cancelled in full ordinarily, although a number of companies permit partial cancellation. An employee who cancels is usually debarred from subscribing again during the next six months or a year. Under the terms of the Corn Products Refining Company plan, an employee may not subscribe again without the approval of the executive committee of the company. The Procter and Gamble Company plan declares that a withdrawing employee is not eligible to become a participant again for one year, and then only with the consent of the trustees and as a new subscriber.

Upon cancellation the employee may receive only a refund of his payments but usually receives his payments with interest, ranging from three to six per cent. The Great Atlantic and Pacific Tea Company does not refund interest unless the employee has paid at least twelve instalments. The Boston Woven Hose and Rubber Company refunds only the employee's payments with five per cent if he withdraws within the first year; if he withdraws in the second year, he receives twenty per cent of any excess of the current market price over the price he has been charged for the stock; the third year the percentage is increased to forty and the fourth year to seventy; the consent of the board of directors is necessary for the additional refunds. The Hotels Statler refund not only the employee's payments with five per cent compounded annually, but also any bonus payments on the stock which may already have been credited.

Some companies, however, retain the option of refunding the employee's payments with interest, or delivering the equivalent in stock. Other companies have even more choices. The Bethlehem Steel Corporation, for example, reserves the option of delivering, within thirty days, a certificate for the shares equivalent to the sum standing to the employee's credit, which may include bonuses credited by the corporation, or of allowing

him to pay the balance due within thirty days, or of refunding his payments with five per cent.

The E.I. du Pont de Nemours and Company always grants stock equivalent to the employee's payments with six per cent interest and does not disqualify the employee from receiving the customary bonus of $3.00 a share per year for five years paid to employees who keep the stock and continue to work for the company.

Dividends and any company contributions or bonuses which have been credited to the employee are usually forfeited, but any interest which has been charged on deferred payments is at the same time cancelled.

The railroads which, upon application, buy stock in the market for an employee will also sell it for him upon request, but any unpaid balance and the broker's commission are deducted from the proceeds. According to the price of sale, the employee may receive more or less than he paid in. The Reading Company sells only the shares necessary to satisfy an unpaid balance, including interest and brokerage charges, and then delivers to the employee any shares or cash remaining to his credit.

The agreement by the National Cloak and Suit Company to resell an employee's stock, upon request, led to the termination of the plan because most of the employees, including some who had paid only a few instalments, sold their stock when a high market price enabled them to make a profit.

There are a few companies which state definitely that an employee may not cancel. One company, for example, says: "It is understood this application, if accepted by the Company, is not subject to cancellation." The Yale and Towne Manufacturing Company plan has no provision for cancellation but in two or three cases the company has agreed that if the stock, which is issued in the employee's name after the initial payment, can be placed with another employee it will refund the balance of

the proceeds after deducting the amount still due on the stock; the loss or gain would be the employee's. The employee who contributes to the collective purchase of stock maintained by the Philadelphia Rapid Transit Company cannot recover his money except by leaving the service of the company, and in that case may receive securities instead of cash.

Among the important companies which do not make any provision for cancellation by the employee is the General Motors Corporation. The shortness of the payment period may be responsible in part for the omission in these cases. Doubtless, too, some plans do not provide for cancellation because it is unlikely that an employee will want to cancel his subscription, the terms being wholly favorable to him. The Eastman Kodak Company is a case in point.

The statistics with regard to cancellation by employees are scattered, but the extent of it is certainly not negligible. Much depends on the general soundness of the plan and its attractiveness to the employee.

(c) CANCELLATION OF SUBSCRIPTION BY THE EMPLOYER

The provisions with regard to the cancellation by the company differ from those for cancellation by the employee in that they usually state the reason or reasons for which cancellation is allowable. The most common reason specified is termination of service, either voluntary or involuntary, for causes other than death, disability or retirement on a pension. Some companies make a distinction between discharge for cause and discharge without cause, and vary their settlements accordingly.

Various companies state in their plans that they will cancel the subscription in case the employee defaults on his payments for a specified time or fails to make a certain number of payments. The period specified ranges from thirty days to six months.[1] In the previous discussion with regard to the tem-

[1] With the Niagara Falls Power Company it may be a year or even more.

porary suspension of payments, it was noted that the Brooklyn-Manhattan Transit Corporation reserved the right to cancel in case of failure to pay an instalment for more than ten days after it was due.[1] The Mead Pulp and Paper Company may cancel if any employee has failed to meet his payments, after three days' notice to him of its intention to cancel. Some companies, too, as has also been stated, cancel only in case the employee has not paid for his subscription within a certain period.

A third reason for cancellation is the failure of an employee to resume work when requested after a lay-off. His failure automatically terminates his service.

Some companies cancel in case of the death of an employee or his retirement on a pension. The sale or transfer of the employee's rights under the terms of the subscription is also frequently stated as a cause for cancellation. Even an attempt to sell or transfer may be regarded as sufficient cause.

The failure of an employee to retain two-thirds of the stock bought under former plans has been incorporated as a reason for cancellation in a number of the more recent offerings.

The adjustments made in case the company cancels a subscription are similar to those made when the employee cancels. The company refunds the employee's payments with interest, or delivers the equivalent in stock. The rate of interest is usually from three to six per cent and is rarely as high as the dividend rate on the stock. The Standard Oil Company (Indiana) is one of the companies which differentiate in the adjustment made in cases of discharge: where discharge is for cause, payments with six per cent interest, at the trustees' option, or the equivalent in stock, are refunded; where it is not for cause, stock equivalent to his payments plus fifty per cent

[1] The Philadelphia Rapid Transit Company, in the terms of its offering of preferred stock early in 1926, stated a subscriber's payments would be refunded if any payment were five days overdue. This presumably applied to both customer and employee subscribers.

(the company's contribution) and whatever dividends may have been credited are refunded—the worker, in other words, is not penalized. In the case of one large company, the adjustment made with the employee leaving voluntarily is less favorable than that with the employee discharged. A few companies make a more liberal adjustment with a woman employee leaving to be married than they do in case service is terminated for some other reason.

It should be noted that some companies simply reserve the right to cancel for specified reasons while others say they *will* cancel.

(D) ADJUSTMENT IN CASE OF THE DEATH OF THE EMPLOYEE

If an employee dies before he has paid for his subscription, his beneficiary[1] is enabled, in almost every instance, to recover at least the employee's payments with interest. Some plans make no express mention of the case of death. Very few companies agree to refund only the employee's payments without interest.

Some companies reserve the right to deliver stock equivalent to the employee's payments and a specified interest, in their discretion. Any amount which will not pay for a share of stock is refunded in cash. The board of directors of the United Cigar Stores have the following options: to refund payments, together with any dividends or other credits less the interest charges due, or to sell the stock in the market, paying to the beneficiary the proceeds less the balance still due on the stock, or to hold the stock for a period of time not beyond the date when it would have been paid for had the employee not died, disposing of it when they think advisable and then paying to the beneficiary the proceeds less the balance due.

The beneficiary is usually given the choice of settlement, if

[1] The word "beneficiary" is used to indicate the employee's estate, or his legal heirs in case no beneficiary has been named.

any choice exists, but he is required to notify the company within a certain time (the range is from 30 to 120 days) of his election. Thus the Bethlehem Steel Corporation requires written notice within thirty days as to whether the beneficiary wants a refund of the payments with five per cent or the equivalent in stock; or whether he prefers to continue the payments upon the subscription if an arrangement satisfactory to the trustees can be made in regard thereto. The Pullman Company among others permits the beneficiary to complete payments in one lump sum.

The railroads in general give the beneficiary the right to complete payments immediately. The alternative is that the stock shall be sold and the proceeds, after the company has deducted the balance due and the expenses of the sale, paid over to the beneficiary. The Southern Pacific Company, instead of selling the stock in case the beneficiary does not wish to complete payments, gives him a certificate for the shares already paid for. The Union Pacific Railroad Company gives three choices: the beneficiary may complete payments, or receive the shares paid for together with cash for any sum which will not purchase a share, or have refunded the deceased employee's payments with six per cent interest.

Among the companies which do not deduct any contributions which they may have made towards the purchase of the stock are the California Petroleum Corporation, the International Harvester Company, Peet Brothers Company, the Procter and Gamble Company, and several of the Standard Oil Companies. There are also companies which pay the beneficiary bonuses not yet credited but which would have been paid to the employee had he retained his stock and continued in the service of the company. Edward G. Budd Manufacturing Company, the Hercules Powder Company, the International Paper Company, the Rome Wire Company, the Russell-Miller Milling Com-

pany and the United States Steel Corporation are in the group of such companies.

If an employee of the Corn Products Refining Company dies within the five-year payment period, the company considers the subscription fully paid.[1] The executive committee has the option of giving the beneficiary the stock certificate or the cash equivalent of the market value of the stock. Henry L. Doherty and Company declares that if an employee is in good standing at the time of his death and all the securities which he originally subscribed for still stand in his name, any subscription which he may have at the time will be considered fully paid and the securities delivered to his beneficiary. The United Light and Railways Company (now the United Power Securities Company) had a similar arrangement.

Some companies stipulate that the employee shall bind his beneficiary to offer stock to them either at the price the employee paid for it, or for some other fixed sum, even though the employee has paid in full for the stock and the certificate has been delivered to him. The Procter and Gamble Company, among others, offers to repurchase stock at the market price if the beneficiary desires. It has been the practice of the H. P. Hood & Sons, Inc., but not its obligation, to rebuy the stock at twenty-five per cent above par from the beneficiary.

The John B. Stetson Company turns over to the beneficiary as much stock as has been paid for out of accumulating dividends. The Henry A. Dix & Sons Corporation pays the beneficiary the amount credited on the purchase price of the stock allotted to the employee. The Eastman Kodak Company may permit the beneficiary to pay the balance due on the shares within a year after the employee's death, and thereupon receive the shares; otherwise the company may merely make over to the estate the payments made by the employee after sundry

[1] The company makes the balance of the payments out of the fund accumulated from the sums forfeited by employees who withdraw from the plan.

adjustments. The Yale and Towne Manufacturing Company holds the beneficiary or the estate liable for the balance due on the loan made by the company to pay for the stock.

Some companies provide insurance to the beneficiary of the employee through the stock ownership plan. The United Alloy Steel Corporation, for example, pays $500 to the beneficiary of an employee who had given more than three months' service. If the employee had held stock and had been in the employ of the company at least three months and less than five years, the company pays $1,000. If the employee had given more than five years' service and held stock, the company pays $1,500. The stock fully paid for is also turned over to the beneficiary in each case.

In the New England Company if an employee prior to his death came within the conditions entitling him to "extra payments," the company pays his beneficiary $1,000. If the employee's salary was less than $3,000, the company pays an additional $100 for each full year of the employee's continuous service. The aggregate payment must not exceed $1,500.

The Trumbull Steel Company plan provided that the beneficiary was to receive that part of the deceased employee's stock not in excess of one hundred shares as though it had been paid for. The company made provision for this adjustment by insurance.

(E) THE RIGHTS OF PENSIONED EMPLOYEES

Pensioned employees are usually permitted to continue their payments on subscriptions but are not allowed to subscribe for additional stock. The provision of the E. I. du Pont de Nemours and Company that pensioned employees are entitled to receive the bonuses paid on stock just as if they were in active service is customary in the plans where a pensioned employee is permitted to complete his payments.

A considerable number of companies terminate the rights of

an employee when he is pensioned. The adjustment made is, as in the case of death, more liberal usually than it is when service is terminated by resignation or discharge. In the case of the oil companies, for example, all stock held by the trustees for the employee's account is given to him when he retires on a pension. This includes stock paid for by the company's contributions. In a few cases only the employee's payments with interest are refunded.

7. *Limitation of the Employee's Risk*

(A) INTRODUCTORY

Many plans for selling stock give the employee advantages over the outside investor. They do this through the favorable price at which the stock is offered, or the bonus or additional dividend payments which are made on it, or the partial payments which the company makes, or the cancellation provisions which enable the employee to recover his uncompleted payments. These arrangements have already been discussed in part. That they lessen the employee's risk is apparent.

With regard to cancellation by the employee, it should be noted that those plans which permit him to cancel his subscription upon request, or upon a specified number of days' notice at any time before the payments are completed, and to receive a refund of the sums he has paid in (with interest usually), tend to be safer for him than those which reserve to the company the option of giving him the number of shares he has paid for in full, together with cash for an odd balance. In the former case he is protected against loss through fall in the market price of the stock.[1] If the employee, on the other hand, has the option of receiving his payments with interest or taking up the shares which he has paid for in full, he may, if

[1] The Belden Manufacturing Company advised its employees, after the depression in 1921, to cancel their subscriptions thus enabling them to receive a refund of their payments with interest.

the market price of the stock has risen, make a profit by choosing to accept the shares and sell them. The Consolidated Gas Electric Light and Power Company of Baltimore gives the employee this option, but adds that if the market price at the time of cancellation is less than the subscription price, he must pay the difference. In those cases where the stock the employee is paying for is to be sold and he is to receive the net proceeds, after deducting the balance due on his subscription and the expense of the sale, he is in the same position as any other stockholder.

Any limitation put upon the employee's right of cancellation, such as making it depend upon acceptance of his reasons by the company, may turn out to be against his interests. He still, in such a case, has an advantage over the employees of the few companies which do not permit cancellation in any circumstances.

The Firestone Tire and Rubber Company has an unusual arrangement. The company eliminated all cancellation by the employee when provision was made to loan him up to eighty or ninety per cent of his payments. Cancellation is then only by the company, which agrees to refund his payments with interest. If cancellation takes place between one and two years after the date of the contract, the employee receives an additional payment of ten per cent of the difference between the price at which he purchased the stock and the current market price (if higher). If it takes place between two and three years, he receives twenty-five per cent; between three and four years, forty-five per cent; and after four years, seventy per cent. The company reserves the right, too, to sell the stock instead of taking it, and in that case to pay the same percentages of the difference of price. Obviously if the market price is below the purchase price these stipulations have no force.

The R. H. White Company penalizes the employee who

fails, after thirty days' grace, to pay an instalment due, by selling his stock. If the price received is equal to or greater than the price paid by the employee, his payments are refunded to him. If the price is less, he receives proportionately less.

The length of the period over which an employee is allowed to pay for his stock is important. If he can cancel his subscription and receive back the cash he has paid, his protection is the greater as the period is longer. If, however, he may have to accept as many shares as his payments have covered, it may be to his advantage to have only a short period for his payments. The disadvantage of a long period of payment may be offset in part by permitting the employee to make additional payments or to complete his payments at any time.

(b) LOANS ON STOCK AND ON SUBSCRIPTION

The employee is not permitted to pledge the stock which he is paying for as collateral for a loan made outside the company. It is always retained by the company as security for his unpaid balance. If he needs money he can usually cancel his subscription. Sometimes, however, when a company wishes to facilitate an employee's retaining his stock, it arranges (as in the case of the Firestone Tire and Rubber Company already cited) for loans of money on the part-paid stock.

The policy of the General Motors Corporation in connection with its employees' savings and investment plan is important. When one of its employees wishes to make payments on a home it encourages him to borrow money from the savings fund in which his deposits are credited. He may in fact borrow up to the extent of his deposits without losing any of the advantages which that fund confers. Of the 8,200 employees participating in the 1919 class, 1,752 bought houses in this way.

The ease with which an employee may obtain a loan on his stock after it is fully paid for is important for him. Even when

the stock is rated highly and traded in daily on an exchange it is not always easy for him to get a loan.

Some of the smaller companies solve the problem by agreeing to accept the stock as security for a loan up to percentages ranging from fifty to one hundred per cent of its par value. Sometimes these companies safeguard their offer by specifying the purpose for which the loan must be wanted,—illness or similar emergency or the buying of a house. A reasonable rate of interest is then charged by the company. In many of the cases where a company agrees to make loans, the stock is a special employees' stock.

The Intertype Corporation makes loans on its stock up to seventy-five per cent of its par value. But the employee may not use the stock to obtain money from other sources without the written consent of the corporation.

Other companies offer to help the employee to obtain a loan at a bank. The Standard Oil Company (New Jersey)[1] recently announced that it had made arrangements with a New York bank whereby any employee who could not obtain a satisfactory loan on his stock from a local bank could borrow, at five per cent during 1926, up to seventy per cent of the market value of his stock.

(c) DELIVERY OF STOCK AND RESTRICTIONS WITH REGARD TO ITS SALE

A stock certificate is ordinarily delivered to the employee as soon as possible after he has completed his payments.[2] Some companies, as has been noted, issue the certificate as soon as the employee has made his initial payment. Even in such cases,

[1] This company is among the small group of companies which offers to act as custodian for the employee's stock if he desires.

[2] The Fuller Brush Company does not deliver any common stock which an employee may have subscribed and paid for until after the employee has completed a year's service.

however, the certificate is not actually delivered until the employee has paid the balance due on his subscription.[1]

Other companies set a date on which the employee, if he has made his payments at the minimum rate, will have paid in full, and they stipulate that no stock shall be delivered before that date even though the employee may have anticipated his payments. If he has not completed his payments, the certificate is withheld until he has. The arrangement of the Eastman Kodak Company is of this sort. Under its plan "Managers' Certificates" are issued for the stock which the employee subscribes for. These mature five years from the date of issue and if, at that time, the original purchase price, with five per cent interest, has been paid, the employee may exchange the managers' certificate for a stock certificate. The United Shoe Machinery Corporation says that it will deliver stock certificates to employees shortly after August 1, 1926, if the payments have then been completed; at the prescribed rate payments would be completed three months earlier. The Southern California Edison Company does not deliver a stock certificate to the employee until he has completed payment for the shares which he may have applied for under various subscriptions.

A different policy is followed by some companies. The International Harvester Company delivers a certificate for one share of its preferred stock as soon as the employee's credits on his "I.H.C. Investment Certificate" are sufficient to pay for it. Every three months H. P. Hood & Sons, Inc., convert the total deductions which have been made from an employee's pay into a certificate for as many shares of the $10 par value employees' preferred stock as they will pay for. The A. W. Burritt Company issues a certificate for twenty-five per cent of the employee's stock after thirty-five per cent of the total subscription has been paid, and additional certificates as soon as

[1] See in Appendix B the Procter and Gamble Company's provision with regard to delivery of stock.

twenty-five per cent more is paid. When the period of paying for a subscription extends over a number of years, a company is more likely to see an advantage in delivering certificates from time to time.

The plan of the Standard Oil Company (New Jersey) and similar plans provide that the employee shall not receive his stock, except in case of certain withdrawals, until the termination of the plan. Until then it is held in trust. The usual period of trusteeship has been five years. In a few cases the period is longer.

The delays, which under some plans attend the delivery of the stock certificate after it has been paid for, might work to the disadvantage of an employee who wished to dispose of his stock.

Sometimes the employee must agree not to sell his stock for a certain time, even though it has been paid for and the certificate delivered. One company which delivers securities to its employees each month, according as the instalments will pay for a unit, stipulates that the employee who desires to sell any part must give the company thirty days' written notice—failing which the company will cancel the rest of his subscription. The Fleischmann Company stipulated that the stock sold their employees should not be disposed of within one year, except to the original Fleischmann stockholders, who would repurchase it at the current market price upon presentation of sufficient reason for the employee's desiring to sell.

The Mead Pulp and Paper Company sells its stock on terms favorable to the employee who, when he receives his certificate, may sell it; however "in so doing [he] cancels all rights to further stock subscriptions, and if, at the time of sale, the employee is paying upon a new agreement, the agreement immediately becomes cancelled. . . ."[1]

[1] In the December 1925 number of its employees' magazine, the company says that the limitation is to prevent subscriptions for the purpose of making a profit

The restrictions with regard to selling are usually designed to prevent the employee's seizing the first opportunity to make a profit. But that they may result in a loss for him is evidenced by the experience of one company which stamped the certificates of the common stock sold to its employees so as to prevent their transfer within three years. While this restriction was in force the price of the stock fell to a low level. In another and similar instance the directors released the subscriber from the restriction of the contract. In some cases a company has avoided introducing a restrictive provision and has in turn suffered loss. One company, for example, sold its stock to employees for less than the price on the stock exchange, agreeing that if, at any time, the employee wanted to get his money back, it would repurchase his stock at the average market price for the preceding month. The result was that the employees sold the stock back to the company whenever they could make a profit on it, and the company had finally to revise its subscription agreement, reserving to itself the option, in case the employee should want to sell, of buying his stock on terms which would prevent his making a large profit.

It is obvious that companies are more concerned to restrict resale where the employee has not yet paid in full for his stock than after he has received his certificate. The experience of the National Cloak and Suit Company in this connection has been referred to. An employee of the Hood Rubber Company, buying its common stock, signs an agreement to offer any shares which he wishes to sell during the payment period of fifty months to the company at the purchase price. "This [the company] found to be necessary because without it if the market value of the stock goes up the employees wish to sell out, clean up their loan and take their profit." In cases where the company

and to keep any great amount of stock from being thrown upon the market at one time.

has contributed a substantial amount toward payment of the stock, there is again a greater tendency to restrict its sales.

Restrictions with regard to selling are not always put upon the employee in order to counteract his tendency to speculate, but may be imposed from a desire to prevent absentee control. Restrictions are, in general, a feature of the stock acquisition plans of small companies rather than of large, although many of the latter also look with disfavor upon the tendency to sell.

(d) THE MARKET FOR THE STOCK

Aside from whether there are any express restrictions on the sale of stock by the employee, he may have difficulty in selling it owing to the lack of a market. This will be so especially in the cases where the stock is not listed on an exchange. Few plans make any provision regarding this situation.

Some companies, however, recognize the practical difficulty an employee might have in selling his shares even when the stock is listed on an exchange. The Atchison, Topeka and Santa Fe Railroad Company, for example, and the Standard Oil Company (New Jersey) agree to handle the sale of his securities for an employee (the brokerage charge to be borne by him) whenever there is need.

A few companies have sold "special" stock partly because it would be difficult for the employee to dispose of the capital stock. The market for special stock is made by the company's agreement to repurchase it at a fixed price, which is always approximately the price paid for it. It is not invariably expressly demanded that an employee offer his special stock to the company, even when he stops working for the company, but he would hardly receive more for it from an outside purchaser. There are cases in which he faces an intended disadvantage in that the company has the option whether to buy or not.

The Graton and Knight Manufacturing Company, although

no contract was in question, proved its good faith in the matter of providing a market and enabling the employee to recover his investment by offering to buy back the stock sold, at the price the employee had paid, even though a period of depression had greatly reduced its market value.

8. *General Results*

(A) THE HOLDINGS OF EMPLOYEES AT THE PRESENT TIME

It has not been possible to obtain from all companies that have sold stock to employees a statement concerning the number or value of shares acquired or subscribed for. Information of this sort has, however, been unexpectedly abundant. It has been available for nearly all of the larger companies and for a great many of the smaller. We have made a calculation based on the market value of the stocks on April 15, 1926, covering only the instances where we have had information. It has also been limited in some cases, where a plan has been in force for many years, to figures for recent purchases. Savings accounts of employees have been excluded but employee holdings ($21,000,000) in the General Electric Employees' Securities Corporation have been included because its assets consist almost entirely of stocks. The resultant figure is substantially over $700,000,000. There is reason to think that if the complete holdings or subscriptions in the securities of all companies could be obtained, a figure materially higher would result.

A few instances of holdings are worth citing. On December 31, 1925, employees of the American Telephone and Telegraph Company and its associated companies owned 553,000 shares of the company's stock, and 160,000 employees were still paying for 621,000 shares. In other words, they owned or will own $117,400,000 par value of stock worth at recent market prices about $170,000,000.

On December 31, 1925, 47,647 employees of the United

States Steel Corporation owned 163,802 shares of its preferred and 501,999 shares of its common stock, and a considerable number of shares were still being paid for. In 1926 another 100,000 shares were offered at a price higher than the market price of April 15. The market value of all these shares on that day was about $100,000,000.

In May 1925, less than a year after the purchase plan had gone into effect, 30,619 employees of the International Harvester Company had subscribed for preferred stock worth then about $15,683,000, and worth more since.

As of January 1, 1926, 19,062 employees of the Pennsylvania Railroad System had purchased 88,885 shares of stock through their Mutual Beneficial Association and their Provident and Loan Association, since January 1, 1920, and July 1, 1923, respectively. In addition, thousands of shares had been bought independently. In April 1924, an analysis made of the purchases handled by the Provident and Loan Association disclosed that two shares was the most popular subscription. Five-share lots had been subscribed for by 549 employees and ten-share lots by 350 employees; there were some hundred-share lots.

At the termination of the five-year period of its first stock acquisition plan, the Standard Oil Company (New Jersey) delivered 884,002 shares of common stock to 16,358 employees. The average distribution to an employee was fifty-four shares. The value of this stock at recent prices was about $40,000,000; the employees paid in a total of $18,490,425 for it.

At the recent termination of its five-year plan, the Standard Oil Company (Indiana) delivered 390,000 shares of its stock worth at the current market price, $25,350,000, and having cost the employees $11,800,000. Included in the shares received were 27,500 shares of stock which the trustees purchased "at opportune times" with the funds contributed by

the company for the account of employees who subsequently cancelled their subscriptions.

The value of the stock held by employees in some of the smaller companies cannot appropriately be compared with that held in the large corporations, but the percentage owned is often much greater. The employees of the Fuller Brush Company own almost one hundred per cent of the stock.[1] Approximately forty per cent of the employees of the California Corrugated Culvert Company own ninety-five per cent of its common stock. Seventy-five per cent of the stock of the Murphy Varnish Company is owned by about thirty per cent of its employees. A majority of the shares of the A. Nash Company, Inc., is owned by its employees. Through their profit sharing plan about forty per cent of the employees of the N. O. Nelson Manufacturing Company own approximately twenty-five per cent of the capital stock.

In the case of several larger companies also, the percentages held are impressive. The employees of the Philadelphia Rapid Transit Company own one-third of its common stock. About one-third of the 47,000 stockholders of Swift and Company are employees; they owned in May 1925 approximately $20,000,000 (par value), or more than thirteen per cent of the company's stock. Employees of the American Telephone and Telegraph Company upon completion of their payments will own 12.7 per cent; similarly, employees of the United States Steel Corporation will own 11.5 per cent. Employees of the Standard Oil Company (New Jersey) and of the Standard Oil Company (Indiana) recently received 4.3 per cent and 4.2 per cent of their stocks, respectively.

Employees' investments in their companies' stock have in a large majority of cases been profitable for them. There is

[1] "Approximately we have twelve hundred and fifty stockholders of whom less than fifty are outside of the roll of our employees. I suppose this same ratio holds as to the amount of stock owned by our employees." (Letter from company, May 8, 1925.)

apparently only one case—that of a small company which went into bankruptcy—where employees lost all of the money they had invested. In several instances they have suffered material losses, however. Their gains on the other hand have sometimes been large. It is not necessary to point to such an instance as that of the Eastman Kodak Company where the market value was presently ten times what the employees had paid; or of the several companies where the employee's contribution was supplemented by a payment half as large made by the employer. Even where employees have received no special favors, they have, none the less, though in varying degree, done well with their investment up to the present time.

(B) TENDENCY OF THE EMPLOYEE TO SELL

It would be difficult to say whether employee stockholders tend to sell their stock either more or less readily than other small investors. Certain it is that, on the whole, a vast amount of stock has been retained by them. There is plenty of evidence, however, that they do sell from time to time for various reasons. Not only do companies which have sold stock at expense to themselves view with disfavor any marked tendency toward resale, but various companies have undertaken to discourage sales not dictated by need, while some have gone so far as to discontinue offering stock at least temporarily.

Since many companies have no way of checking up sales, the testimony on this point comes from a limited number of companies. Some report that very few employees have sold their stock except for good reasons, such as to meet an emergency or to buy a house. As to emergencies, the Studebaker Corporation has stated: "We do not know just what the employees do with the stock after they purchase it. We find, however, that if an employee becomes pushed for money he is likely to dispose of the stock. We do not look upon this, however, as an objectionable thing inasmuch as his purchase of the stock has

compelled him to save money which he may use in an emergency by disposing of the stock." The Procter and Gamble Company has stated: "The tendency to sell . . . has been checked materially, and practically the only sales we have are those leaving the employ of the Company. An Employees' Relief Fund has had much to do in discouraging the sale of stock by employees." In similar vein, Henry L. Doherty and Company has written: "While we have not compiled any figures showing resales of securities by subscribers, it is our belief that less than five per cent of the securities delivered have been resold."

An opportunity to realize a profit on their stock does not always lead to sale. The Ludlow Manufacturing Associates testify that their employees rarely sell their stock,—". . . this holds true in spite of the fact that the shares in some cases are today worth more than $40 above the price paid for them."[1] Other companies have made similar statements.

And yet, the most frequent reason given, where a decided tendency to sell has been noted, is that a profit is sought. The American Ice Company reported that about half of the 1,200 employees who originally subscribed for its stock have disposed of it for a profit. The Air Reduction Company wrote that when the price of its stock rose during the latter part of 1924 and the first part of 1925, a good many of the employees sold. The Chicago Pneumatic Tool Company found that a rise in the market value of the stock caused a majority of its employees to sell in order to realize a profit. The Philadelphia Electric Company observed an increased tendency to sell as the price rose.

Multiplication of examples is hardly necessary, however, to illustrate the tendency. The evidence available does not suggest that the movement on the whole is encountering any considerable check from the desire of employees to sell. Up

[1] Letter June 30, 1925.

till the present at least the tendency to retain has been the more striking.

(c) THE EMPLOYER'S VIEW OF THE RESULTS

It can hardly be necessary to explain at the outset the limitation implied in the title of this section. There is need of a study of the employee's view as well. This would require an elaborate field investigation which is wholly beyond the scope of the present study. But the limitation, in turn, is far from implying the futility of this study. On the contrary, the employer's view of the results is of fundamental importance.

Replying to the question asked, the employer most frequently declares the plan to be "satisfactory" or "successful." When reasons are detailed, they fall generally under three main heads:

First, thrift is encouraged. Many companies say that their employees admit that their investment in stock represents their savings and that they would not have saved had it not been for the company's plan. The encouragement of thrift, it will be remembered, is frequently given as a motive for offering stock in the first place. An important declaration is that of the International Harvester Company: ". . . thousands of employees have been led into habits of systematic saving and are today owners of substantial accretions of cash and investment which they freely state would not otherwise have been accumulated. The officers of the company believe that these practices have been of value in assisting employees to become home owners and increasing the stability and heightening the social and industrial status of employees."

Second, better relations are promoted between management and employees. The companies appear to have in mind here that the employee does his work more efficiently and is more interested in the business if he is a part owner. In other words, these companies think that they have made the employee feel

that he is a partner in the business if he owns stock, and consequently that he appreciates in a greater degree the problems of management and production. The A. E. Staley Manufacturing Company epitomizes this opinion in a statement contained in its employees' magazine: ". . . The employe begins to see and understand the management's various problems, and either consciously or unconsciously takes a deeper interest, works a little harder, wastes less, and above all, is more willing to view conditions from the management's side, as well as from the employes'." That the turnover of labor is reduced by employee stock ownership is explicitly stated in only a few instances.

Third, the employee is enabled to share in the success and profits of the business. So long as there are success and profits for distribution, the result would seem to follow. But they cannot be guaranteed. One company states: ". . . we are free to admit that, while our experience in encouraging our employees to become stockholders has been favorable and we plan to continue it . . . we realize that one reason for the favorable experience has been that the stock has kept going up in value. We have had no experience with what may happen if there is a substantial loss of business, decline of profits and consequent reduction in the dividend rate, though we imagine that employee stockholders react like any other stockholders at such times.

"We can well believe that, when there is a falling off of profits, employees who have participated under profit sharing or bonus plans may perhaps strive for an increase in wages to replace their lost bonuses, but stock ownership is sufficiently far removed so that we cannot feel employees would be inclined to demand any preferred treatment over other stockholders in a situation where their dividends were cut."

In similar vein another company declared: "On the whole we feel that the plan has worked well, though the feeling of the Common B stockholders is naturally governed to a considerable

extent by the actual profitableness to them of their investment. We had to pass our dividend the very first year of the arrangement, but have since made up practically all they had expected, and have also added steadily and materially to the book value of the stock at which it can be redeemed."

When employee stock purchase plans are discontinued or, on expiration, are not renewed, the explanation commonly lies in depression in the business. Companies which have sold their stock to employees during prosperous times are then requested to refund payments if a provision for cancellation exists. One experience of this sort is likely to dampen the enthusiasm, not only of the company, but also of the employee. Some companies however have discontinued their plans because employees sold their stock to cash in a profit.

CHAPTER III

THE QUESTIONS OF INDIVIDUAL AND GENERAL POLICY INVOLVED

1. *Introductory*

WE have dealt in Chapter II with the actual details of stock acquisition plans and with the expressed aims and testimony of companies that have introduced them. Throughout our analysis we have been guided by statements issued in one form or another by employers.

In the present chapter it is our purpose to take a different point of view and more broadly to consider the stock selling movement with regard to the questions of policy that it involves. Whoever departs from a description of practice and enters into considerations of policy is on debatable ground. If, however, activities in regard to industrial relations are to be more than intuition, on the one hand, and imitation on the other, these considerations must be examined. Not the least justification for examining them is that there is plenty of evidence to show that they are of interest to a widening circle of business men and workmen.

Although in the nature of things this chapter cannot have so objective a character as the preceding chapter, we shall have no hesitation in choosing between some of the alternative procedures that it discusses, and to such an extent in implying that one line of development has advantages over another. Where the chapter deals with really mooted questions, it will have fulfilled its purpose if it provokes its readers to further thought and reflection.

2. *The Purposes of Employers*

The outstanding characteristic of the movement under review is that it invites ownership of the stock of a company by

the rank and file of the workers of the company. There are indeed plans where only a considerably restricted group of employees are invited to acquire stock, and these plans have much in common with those practices which have long been current of inviting a few responsible men into partnership in a business. On the whole, however, the modern stock ownership plan is in sharp contrast with the restricted partnership long familiar. It ordinarily involves precisely those groups of employees that had never previously been admitted into partnership, and it even frequently permits subscription to a larger number of shares relatively to amount of salary in the low-salary groups than it does in the medium- and high-salary groups. The endeavor is often to secure participation by the largest possible percentage of employees.

For the company itself, no immediate financial gain is in question. A higher price is not secured for the stock than could be secured by its sale to the general public. On the contrary, as we have seen, the stock is usually sold at less than its market price or, if the market price itself be maintained, special financial advantages to the employee, denied to other stockholders, are coupled with purchase of the stock. Whether treasury shares are sold or shares previously outstanding and bought by the company in the open market, no direct profit accrues to the company from their sale.[1] If any profit at all is in question, it must be a profit that comes in an indirect way.

That an indirect profit will be realized by the company is often, in the company's own opinion, uncertain. Large as has

[1] Sometimes in fact an actual loss can be avoided only by unusual tactics. Where the company must buy stock in the open market a peculiar situation arises. It cannot be assumed that the ordinary sales by existing stockholders will yield sufficient shares. The company may then need to bid up the price in order to induce existing stockholders to part with their shares. This it is commonly unwilling to do. Where many shares are in question, the company is likely to begin purchasing long in advance of the date of resale to employees, unless the market price should then seem forbiddingly high, in which case the whole plan may be allowed to lapse. On the other hand, if stock is bought long in advance of resale, the market price may presently drop so far as to permit resale to employees only at a loss.

been the number of companies offering stock to employees, it remains true that the great majority of companies have not as yet offered stock. Among them are many which have considered adopting a plan and have decided against it. Any one or more of several reasons may be responsible for such a decision. Sometimes the stock is without high standing as an investment. To offer it to the worker while yet pointing out that it is speculative is to imply that it is a speculation likely to redound to the worker's benefit. This for good reasons the company hesitates to do. Again, the stock may be closely held, the stockholders enjoying the sense of being a small society or preferring to keep the company's policies and condition private. For it is essential to bear in mind that sooner or later, and perhaps at the moment of buying, the new stockholders may wish to have information regarding policies and condition, which they might use to their special advantage as employees. On the part of the members of a close corporation there may be a desire not to have to justify policies to others, and especially to employees. Again the company may be unwilling to assume responsibility for the investment of its employees' savings. Though all legal steps may be taken to disclaim responsibility, the worker may, in fact, hold the company to a moral responsibility; if dissatisfied, he may be less valuable to the company as a worker. Where such a danger threatens—but not of course exclusively in such a case—the company is likely to believe bonds or savings bank accounts more suitable channels for employee investment. Finally, many employers, purely as employers, do not relish the idea of having employees as stockholders. They desire their relation to them to rest on the traditional business basis of employer and employee, without even a semblance of control over the employer by the employee.

Where a company sees no good reason to be deterred by such arguments as have just been enumerated and where, therefore, it decides to offer stock to employees, it expects to secure certain

indirect gains from the transaction which are not the less tangible for being indirect. It hopes to develop a group of employees who are better satisfied with the company they work with and who, just because they are better satisfied, will be more efficient and dependable as workmen. The policy then takes its place with all those company policies which aim to satisfy needs or desires of the workers that would otherwise go unsatisfied or go poorly satisfied. It is related to policies dealing with safety, sanitation, housing, recreation, education and many other matters.

The result desired by the company—the goodwill of the workers—will not be forthcoming if the stock the workers buy proves a bad bargain. It would be a shortsighted policy, obviously, for an employer to sell dubious securities to his employees. If the latter are not in the end to be disillusioned, they must not, in the first place, be illusioned. Their persistence as stockholders must seem the natural expression of common interests. They must continue to feel that the company is a good one to work with. The far-seeing company will then be prepared to serve its employees by the sale of stock rather than to tax them.

Fundamentally, the stock acquisition movement is a device established by the employer for dealing with the worker's investment problem. It may be other things besides, but it cannot escape being judged by its bearing upon this problem.

3. *The Worker's Investment Problem*

Every workman has his own investment problem, which is never precisely like that of any other workman. A good stock plan is one that is flexible enough to meet at least partly the investment needs of many workmen, without at the same time stimulating either a total over-investment or excessive subjection of investment to one set of risks.

Those workmen who are least in a position to shoulder risks

will not advisedly buy stocks at all. Wherever a large dividend return is offered, or wherever a chance of securing a capital gain is present, there is likewise as a rule a chance of capital loss. No prospect of gain, when coupled with risk of loss, will have the utility for the small investor that maintenance of his principal has. Such an investor will then rightly prefer to place his funds in a savings account.

It is probable, however, that many American workers are financially justified in making at least a small investment in good stock. If the stock is of high grade the worker will be justified in buying more than if it is not. In some situations, he may even make what is for him a large investment in such stock. But he will do well to bear in mind that concentration of investment risk should be on securities of unusually high investment value. The special opportunities for diffusing risk which result from the modern division of company capital into small share units—$100 par, or less, or without par at all—are of even greater proportionate benefit to the small investor than the large.

The position is sometimes taken that the worker should avoid buying shares in the company that employs him. To do so, it is argued, would, in the nature of things, concentrate rather than scatter his risks. The depression in business that causes him to be laid off may likewise deprive him of dividends and may diminish the value of his capital. Should bankruptcy of the employing company supervene, both his job and his savings may be annihilated at one stroke. It is natural to draw the inference that the worker who buys shares should confine his selection to the shares of companies not employing him.

To this argument no categorical reply is possible. In some cases, especially the cases of some of the smaller and less securely established companies, its full force applies. The worker buying shares would indeed concentrate his risks unwarrantably.

The association of capital and employment, however, is not necessarily disastrous nor inadvisable. It may entail less insecurity today than it has often entailed in the past. The small shopkeeper who sells over his counter the goods in which he has invested his own savings is an ancient and honored type. Yet when age or poor health or whatever cause forces him to withdraw and to leave his shop in another's care, his capital may suffer. Retired as an employee of a great joint-stock company, the worker, on the other hand, may still retain his shares of stock and be the recipient of a continuing dividend-income, or even of a rising dividend-income. This very modern association of employment and ownership may be less fraught with danger than the older and once very common association of employment with individual ownership.

As between stock in his own company and stock in a company that an outside investor would rate equally highly, there is an obvious argument for the worker's buying the alternative company's stock. And yet for other and special reasons he might more readily prefer his own company's stock. The sense of proprietorship is always most satisfactorily felt where tangible things are in question. To some extent he knows his company on the inside; he has some insights that are denied to other investors; he may be well inclined toward the company and enjoy the sense that by his own efforts he is making it a better company. He will not ordinarily have the same knowledge about another company and he would hesitate to buy the stock of a competitor company.

If only common shares were in question, he might find in considerations of safety an added reason for investing in the stock of a different company. In such a case, anticipating the situation, his employer might offer him the preferred stock of his own company, whose safety might approximate the safety of the superior common stock. It need hardly be stated here that whether it really would constitute a more desirable invest-

ment would still depend on the nature and financial management of the business and not primarily on the fact of preference as to assets and earnings.

Where a company is favorably situated and soundly managed the workers may find its common stock more attractive than a preferred stock could be. Under our industrial structure it is the common stockholders who reap the gains made by successful companies, and the worker who has already received a rate of wages not open to question may as a common stockholder participate besides in the profit or net income of the business.

4. *The Employer's Consideration of the Worker's Investment Problem*

A stock-selling plan can never touch the employer so closely as it touches the employee. The employee's investment of a hundred dollars represents for him a greater stake than the employer's sale of a hundred dollars' worth of shares represents for the employer. Every move made by a company for the inclusion of all employees as stockholders, irrespective of individual investment capacities and requirements, courts failure.

A policy of stock selling, more perhaps than any other policy concerned with personnel, is open to suspicions and doubts on the part of the employee. The fact that a financial transaction is in question, the fact that intricate details are involved, gives unusual opportunity for suspicion to anyone inclined to suspicion.

What type of company can sell securities to its employees? On the whole, that company can best introduce a plan whose general standing with its employees is highest. It is possible to rule out at once any company which has been in incessant dispute with its working force or which has had a recent history of acrimonious dispute.

Granted the existence of good feeling between employer and

employee, the stability of the industry and the financial integrity of the company become the chief factors.[1] They vary greatly, and it would be useless to attempt to draw an exact line to mark off those companies that can adopt a plan from those that cannot. Much depends on the plan itself. Within the broad zone of companies warranted in offering securities, only a part will be warranted in offering common stock. Another part is admitted to the zone because it offers a security senior to the more speculative common stock. Generally this will be a preferred stock. In some instances nothing short of a bond will be offered—an arrangement thus far rare in practice. In still other cases shares in an investment trust may be found more suitable than any other security.

Since any stock-selling plan rests in part upon saving, a word may here be said on the employer's attitude towards the workman's need for saving. It is not an accident that has led some companies to confine their activities to promoting employee saving through the agency of savings accounts. Of such importance is the savings account to the ordinary workman that any company ignoring its importance in the supposed interest of a stock-selling plan may expect a loss of prestige. Nearly every plan purporting to meet the employee's interest or needs should expressly state that a stock investment ought not to take the place of a simple savings account held in reserve for emergencies and capable of being turned into cash at its face value; or other channels should be used for conveying the same suggestion. Nothing could be more ill-advised than to confuse a stock-selling plan with a thrift plan and to imply that the share of stock has all the advantages of a nest-egg savings account. On the other hand, a company can emphasize the fact that ways exist in which the employee's stock investment is

[1] The offer of stock may be made in anticipation of a period of rapid and profitable expansion that is confidently expected. There is little doubt that the offer is sometimes timed with reference to diverting a part of the gains of such an era to the workers.

reducible to cash without loss or may otherwise serve his need for cash. The special employee's stock that some companies have created rarely rises or falls in market value and is ordinarily redeemable by the company at its face value. Where a security of high quality is sold to the employee, where the net price he pays therefor is materially below the ordinary market price, and where, because the stock has recognized value, it can serve as the basis for bank loans, there again the employee has acquired some equivalent for a savings account and his investment inferentially represents an act of saving.[1]

How much stock a workman should be encouraged to buy depends not only on his income and circumstances but on the quality of the stock and its price. It must not be forgotten, however, that there is always danger that he may be tempted to buy too much. In every list of many companies that offer their shares to employees, there are instances where the opportunity presented exceeds the use that a prudent worker will make of it. Sometimes he is permitted to subscribe as much as thirty or forty per cent of his wages and when his purchase is completed may begin over again. Even the investor in the well-to-do classes rarely invests so heavily in one risk as the workman is permitted, but is not necessarily recommended, to do. He is conscious that he knows the company from the in-

[1] The General Electric Company has assumed the employee's need of security to be so great that it some time ago discontinued entirely its offer of stock and substituted therefor an issue of special bonds, secure and easily redeemable, and therefore available when needed for such capital purposes as building a house.

The General Electric Employees' Securities Corporation was organized to issue bonds to employees of the General Electric Company. The bonds are in denominations of $10 and bear six per cent interest (bondholders receiving two per cent extra from the General Electric Company as long as they continue in the employ of the company). The General Electric Company owns the capital stock of the Securities Corporation. One-fourth of the assets of the corporation are in stock of the General Electric Company, and the remainder in the bonds, preferred stock and common stock of a large number of companies which are customers of the General Electric Company and whose properties are widely scattered through the country. In the annual report of the General Electric Company for 1925 it is stated: "Almost 99 per cent of the total number of bond holders receive salaries or wages of $6,000 or less per year and they hold nearly 96 per cent of all the bonds outstanding, which is evidence of the success of the plan in meeting the needs of employees with moderate incomes."

side, is aware that it has earned profits, has learned that its officials have large sums invested in shares whose value has risen. His own income is however not large; he does not stand in the line of succession to the position of an official; next year or in five years he may be working for another company; sickness or unemployment may come his way, while his family's needs may become more exacting. Of these things, he may be less conscious. So he may over-buy.

At some point, varying much with the company, an adviser really interested in the worker's financial well-being would urge him to increase his savings bank account or to diversify his investments; would tell him that there exist other investments as good and as promising and actually better suited to him than more shares would be in his own company, for the reason that these alternative investments would be subject to risks partly different from those surrounding the shares in his own company. At least one important corporation, recognizing this situation, offers to buy for its employees not only shares in the corporation's own highly secure stock, but alternatively, as the employees may designate, shares or bonds of other companies; and actually does buy substantial amounts of such securities for the account of its employees. And another corporation has created a bond whose security should be to the extent of about one-fourth, that of the company itself, and to the extent of three-fourths, that of the numerous and widely scattered customers of the company.

It is a fair question to ask whether the employer is justified in offering shares of his own company's stock to his employees. In many cases, for good reasons, he is not. These cases apart, however, he may have special cause for proceeding. He knows his company better than he knows other companies and his knowledge may make him entirely willing to sponsor its securities. Since the workmen's purchases would have to be financed by instalment payments, a burden would be created which he

would ordinarily be unwilling to shoulder unless some reciprocal advantage were to result, however indirect in nature.

It has been common knowledge that in the past workmen have not always placed their savings in savings banks and other secure institutions. Untold numbers have lost large sums in fraudulent or weak investments. Those workmen who have bought their company's stock of late years have, for the most part, had experience with an investment safer than has been their wont. In so far, and by comparison, they have gained.

In the gain they have made, however, lies no justification for indiscriminate stock offerings now or in the future. A corporation offering stock to its workers assumes a responsibility the discharge of which can hardly be too scrupulous. When all appropriate explanations have been made regarding the rights of the investor, the importance of not over-buying and so forth, the fact stands forth in the employee's mind that the company really believes in its securities, recommends and sponsors them, assumes and expects that its workers will buy them. Unavoidably then, the company desirous of offering its shares will first study closely how it may serve the investment needs of its workers.

5. *Safeguarding the Worker*

No device by which the good faith of the employer might be shown when he offers stock to his workers can quite take the place of the reputation for good faith that he has all along enjoyed. Where this has been high he need neither apologize nor exhort. Where it has been low he may need to go far out of his way to do both.

Probably nothing is more important than that the employee, given the opportunity to subscribe voluntarily, should himself feel that his affirmative choice will be entirely voluntary. If he senses or suspects coercion, he will be sure to feel resentful whenever there is any indication that his investment is not

prospering. Above all, he must not feel that advancement, or his employment itself, depends upon his "taking the hint" to subscribe.

He must never be given ground to suppose that he has been led to buy through misrepresentations. Whatever is said about the stock by all those in authority must meet the tests of truth. There must be correctness of fact and candor of interpretation. He must be in no doubt as to the motives which inspire his employer. He must not be told that the offer is exclusively for his own benefit, if strictly speaking, the employer wants him to buy and counts upon and expects an improvement or maintenance of morale. The whole relation can be placed—where it belongs—on the same basis of mutual gain on which, in the very nature of things, employer and employee have associated themselves in a joint enterprise. Nothing could be more unfortunate than to give the employee ground to suspect that mysterious and concealed, perhaps very great, profits for the employer are in store.[1]

An understanding of the employer's purposes is, however, not enough. The terms of the transaction itself must be well understood by the employee. Stock buying is for him a novel experience. He has need of education as to the meaning of the various provisions involved. Clear printed explanations may be necessary and opportunity given for informal discussion with officials. How much of these things may be required in any given case depends on the industry, the nature of the stock and, not least, on the general enlightenment of the workers themselves.

There would seem to be no prima-facie reason why stock should not be offered at a reduced price, on the instalment basis, with elimination (where the sale is direct) of the broker's

[1] That the employer's gains are essentially intangible and so are incapable of isolation and exact measurement does not, however, render them invalid or unreasonable. In industry an important part of the benefits to both parties are intangible.

charge and with the promise of special bonuses. These favors all frankly denote evidence of a desire to attract the worker as investor. What they actually signify can be made clear to him. Whether in accepting them he will regard himself as "tied" to his employer probably depends on each case considered in itself. Where the right to cancellation or resale of his stock exists, and where an alert employee opinion would detect any special discrimination against the worker who exercised his right, no serious problem is involved.

Many of the doubts which naturally come into the worker's mind when he considers the company's offer are set at rest if an open market exists for the stock, so enabling him to compare the price he is asked to pay and the terms on which he is invited to buy with the price and the terms that are open to any outside buyer. He is then in a position to measure the financial significance of a concession in price, payment by instalments, bonuses for holding, and so forth.

Again, where a public market exists, an opportunity is in reserve for selling his stock if he has good reasons. It is true that the daily quotation sheet may fan the flame of speculation. It is also true, however, that the employer who has a security to offer which justifies investment is in a position to make clear to the worker the difference between an investment attitude and a speculative, and the nature of the occasions on which an investor may be led to sell his stock.

At various points difficulty is created if the stock sold to the employee is listed on no exchange and changes hands only at private sale or at auctions. It would be too much to say that such a stock should never be offered to workers, but it is not too much to say that the offer should be accompanied by unusual compensating or protective provisions.

The existence of a general market for the stock implies that the judgment of other buyers and other sellers is accessible regarding the stock's value. In this circumstance there is im-

portant protection. There are still other kinds of protection which the worker can reasonably desire and often can secure. In the case of the public utility enterprises, the railways, telephone and electric light and power companies especially, some measure of public control exists over the affairs of the corporation. In the case also of many industrial companies of large size or of conspicuous importance in the community or country, a certain measure of publicity exists, to such effect that the management is anxious in its own interest to bear a good reputation and is willing to make efforts to secure and retain such a reputation. In this sense, too, both the employee and his stock are protected.[1] Neither control nor publicity, however, is equivalent to a guarantee of a stock investment and no guarantee can be given.

Shall the employee investor be granted the right to vote his stock? When he possesses this right, he is likely to feel that he has a further protection for his investment. In the public utilities, since their operations are partly regulated, the right is of much less consequence for the worker than it is in manufacturing industries. On the other hand, he must not be encouraged in any illusions he may have regarding the importance of his vote in determining the company's policies. Above all, he must understand that voting strength in corporations depends on the proportion of shares held by the stockholders and differs sharply from voting strength in politics, which is on a democratic basis. He may rightly feel, however, that his power is potentially of significance in those cases where a substantial percentage of the company's stock is owned by the employees.

[1] It deserves to be pointed out that the tendency observable in recent years of the directors of companies to make their annual reports and other advices to stockholders simpler and less technical in language than formerly and more informational as to the activities and policies of the enterprise is especially marked among those companies that welcome employees and customers as shareholders. This development, though it may have more than one origin, may properly be classed with the important results of the movement for popular ownership.

6. *Company Gains*

Whether the reaction of employee ownership on a company can be accounted a gain or a loss, from the company's point of view, will depend partly on the motives which have led to its introduction and partly upon various special circumstances. There is at least one case of a company which, after selling stock to employees, was glad to find occasion to buy it back again and to become once more a close corporation.

The gains which have led most companies to continue to encourage stock ownership by their employees are of various sorts. They can be referred to here very briefly, since most have already been referred to in the account of the companies' testimony in Chapter II. Companies whose business is constantly expanding, such as the public utilities, are frequently glad to tap a new source of capital. They save material brokerage charges and they secure the new money gradually, which is often the way it is wanted. Tapping a fresh source of capital may, furthermore, be expected to strengthen the company's credit, and the outside investor in the company's bonds is commonly more willing to lend his money if employees have a substantial interest in the junior securities. Many companies, furthermore, observe that the employees use the company's property more carefully, less wastefully, and that they become more vigilant over waste by other workmen. Still other companies observe that the workers become buyers of the company's products. All of these gains may be said to arise naturally or even incidentally.

It is a frequent observation that employee stockholders are in spirit more cooperative with the management than are other employees. The company needs to be less on the defensive than it had been. Whether this result is in all cases desirable depends entirely on what may have been the causes of previous difficulties. If wholly legitimate complaints by the workers have been stilled without being satisfied, an appearance of harmony could

be regarded as illusory only; an outbreak has probably only been warded off temporarily. If, on the other hand, a temper of hostile criticism has been replaced by a tendency to constructive criticism, a genuine gain would seem to have been achieved. A great deal would thereafter still depend on the spirit of fairness of the management. Nothing can be said for the employer who would take advantage of the cooperative spirit of his workmen for putting through policies to their disadvantage which he would not think of adopting if the workers had been hostile.

7. *Voting Strength of Employee Stockholders*

While stock ownership by employees does not inevitably raise the question of control over a company's affairs, it would be short-sighted to exclude the possibility of at least material influence over policy.

To the extent that the employee is an investor in a company's voting stock, he naturally receives the right to vote. The time has gone by when employee holdings of such stock can be regarded as of negligible dimensions. There are cases, as we have seen, including some very large companies, where employees own from eight to ten per cent of the voting stock, acquired in only a few years. To regard such a holding as merely evidence of a tie to the company would certainly be mistaken. A ten per cent holding by outside stockholders may be ignored by the interest in control; a similar holding by employees cannot be ignored because of the large importance of employee morale for the earnings of the company. Neither disappointment nor fear supplies a satisfactory basis for morale.

Sometimes a special provision requires that representation of employees on the board of directors shall accompany even a small holding of stock. As a rule, however, the influence which the workers of a company may exercise on its policies is likely to depend upon a substantial holding. Really large holdings are

by no means out of the question. There are a few instances where in a surprisingly short time the workers have secured a quarter or a third of the company's stock. In many industrial companies actual control is in the hands of the largest concentration of stockholders, which may hold much less than a majority of the shares of stock. A substantial body of stockholders may control, either because it is faced by no active united opposition or because it has effected a working alliance with some other substantial interest. Such a control would hardly continue indefinitely to be of an absolute character.

Whether full control by the workers through ownership of a majority of the stock would be desirable from any or all points of view it is scarcely important to discuss here. Enough to say that the question involves many of the arguments that have been advanced in a long past in the discussions and experiments regarding industrial partnerships and producers' cooperatives. There are indeed some cases even today where the employees own the voting control and there is at least one case where the vote of the former chief proprietary interest is as low as five per cent, some hundreds of employees owning the other ninety-five per cent, and where continuously the business has prospered. But these are cases of comparatively small companies and it would be seriously misleading to regard them as of material significance today for the larger companies.[1]

It may be that in ordinary circumstances voting power is not of special importance. The control of a company is necessarily centralized and its effectiveness depends on a degree of consistency of policy. In practice it can never vary as the minds of the numerous owners vary. Management has always a specialized character. The small investor in a company, whether he be an employee or an outsider, has not often today the specific attributes which would make his actual power over the

[1] It deserves to be noted, on the other hand, that the chairman of the board of a very large corporation recently expressed the hope that in time both chairman and board would be elected by vote of the employees.

management valuable. It may be that the greatest function of the employee-investor will prove to be of a corrective or balancing character. Of this question there are however some special aspects which it will be necessary to consider below in another connection.

There is always the possibility of a clash of interest. To some extent, to an extent undoubtedly greater than many persons conceive, the interests of workers and employers coincide. Partly, however, they diverge, and may diverge sharply. To suppose that they will ever coincide entirely is utopian. It is equally incredible, however, that they will ever diverge entirely. Where there is majority stock ownership by employees, in other words control, these interests might be practically coincident, but this we have seen is not an important case today. Minority stock ownership could be expected to increase the natural coincidence of interest between employer and employee. This would conceivably add to the attractiveness of the company as a place for work, and the employer, in turn, might feel more solicitous than he otherwise would for his employee's well-being.

8. *The Experience from the Workers' Point of View*

It is impossible to contemplate the impressive extent to which the employees of this country have invested in the securities of the companies that employ them and yet to consider that it results from an act of coercion. Not only must these investments have been made for the most part voluntarily; they must also, on the whole, have given satisfaction to those who have made them. Such a statement is offered without reference to what experiences may lie ahead, yet, as regards these, it entertains the view that an era has been reached in the United States in which corporation finance is carried on more conservatively and more skilfully than in many countries and in other times.

To a considerable extent, though the extent is difficult to

measure, the workers are having experience with a form of investment that meets more exacting tests than many forms they have known in the past. Employers do not deliberately promote the speculative buying of securities. In dealing with their workmen, they have generally stressed the investment aspect of the purchase of stock, which is an aspect new to many workmen. It can hardly be shown, and yet it is reasonable to suppose, that the workers are acquiring a new sense of financial values and are less open to solicitation to buy "wild cat" or fraudulent stocks than formerly. Liberty Bonds they were willing to purchase in the war period, largely as a patriotic act; but the great decline in the number of such bonds of small denominations still outstanding undoubtedly reflects widespread selling of them by workmen. Probably a movement to persuade employees to buy bonds of trustee grade would not go far. When a stock investment with its higher yield of income can be shown to possess a substantial degree of safety or to be available on attractive terms of purchase, it is likely to win a much greater response. The small unit of purchase, one unit interchangeable with another and each unit easily marketable, provides a much more desirable investment. To many workers it is more attractive than the purchase of a dwelling house would be and in many communities it could be regarded as not less conservative than an investment in a house would be.

As a stockholder, the worker learns something about business and finance. Even the circular in which he is first offered stock often serves as a lesson in economics. Such is the importance of the corporation in the life of our times that this knowledge can, from his own point of view, be regarded as a gain to him.

Probably no movement in the past has so extensively promoted saving by workmen. While the stock is being paid for, saving is absolutely indispensable. Nor can it be called auto-

matic. How much there will be depends within broad limits on the workman himself. Deductions being made from earnings, saving becomes easy, convenient and above all methodical; occurring precisely in the years of life when the opportunity therefor is at hand. A habit is developed that may prove useful in situations commonly found difficult to deal with, as when large sums are received through inheritance, the sale of property and so forth.

It is not clear that some tendency to speculate does not arise from experience with the purchase of stock. There is plenty of evidence of a desire to sell stock when the market price has risen. Neither among employers, however, as has been indicated, nor among workers, including those who are members of organized labor, will there be found today those who would, in the worker's own interest, encourage speculation in securities; the very contrary attitude is usual. Such a device as the General Electric Employees' Securities Corporation excludes the chance to speculate, and this would be accounted by many persons a merit not less valuable than some merits foregone by that savings plan.

If the movement to sell stock to employees has so far fallen short at a vital point, it is rather in not meeting fully and in all cases two requirements that naturally form a part of the investment needs of workmen. One of these is security, especially when it is coupled with marketability without loss, so that the savings of the workmen may readily become available for special needs. The other requirement is the diversification of risk. Until the present, most corporations have created no opportunity to buy other securities than those they are expressly offering and no other agency, whether of organized labor or of a public kind, has extensively met this need, although various promising beginnings have been made. Not improbably employers who offer stock will be led to pay more

attention to the need in time, as it is not of vital importance in connection with initial offerings of stock.[1]

In its best form and in the most fortunate circumstances, employee ownership promotes a better spirit of work. The employee who knows that many employees have a stake in the property is more likely to respect the property. It has deepened his sense of responsibility for the success of the company as it has that of the employer himself. The employee feels that he is serving not one interest merely, but that those who will gain include many of his own sort.

Does the worker-stockholder find himself "tied" to his employer? Sometimes, no doubt. More usually not, or not seriously, it would seem. Ordinarily he can sever without actual loss any such tie that holds him. Many circumstantial ties are of greater binding force than the investment tie. The worker's ownership of a house, his specialized skill, the social connections of wife and children and his general circle of friends, these ordinarily hold him to locality and job much more than the shares of marketable stock that he possesses. If the stock is good stock he may well be glad to take it with him when he goes, forfeiting only such special bonus payments as may depend upon his continued employment.

On the other hand, stock ownership is not equally attractive to all types of men. Some are distrustful and will make no alliance with their employers beyond the agreement to labor. The workmen that like it best are of the affirmative type, those that justify the work the corporation is doing and have pride in its accomplishments, those that have no essential quarrel with corporations and employers as such, nor with the industrial system as such. They are not primarily reformers, they belong to the non-insurgent type, are suspicious only for plain cause, less troubled by systems than by personalities. They

[1] To what extent employee stockholders are at the same time customer stockholders in other companies cannot be stated today; to the extent that they are, however, they have divided their risk.

have no thought of quitting the corporation, the community and their long-time associates, either to work for another employer or to take up the cudgels of a cause. In so far as the workmen who buy stock diverge from this type, it is likely to be the case that they are influenced by the company's liberal stipulations regarding cancellation and resale.

The movement to sell stock to employees has been initiated and developed by employers. It is today mainly in their hands. Its future depends very largely upon their own managership of it, since the gains and losses, the advantages and disadvantages, experienced by the workers are very largely a consequence of that managership.

9. *General Considerations. Some Problems and Dangers*

The movement to sell stock to employees has revived some very old questions pertaining to our social and economic organization. We cannot ignore these questions, partly because they are essentially important and also because men concerned with the routine of industry, whether as employers or as workers, touch upon them in their discussions from time to time and from one angle or another. Our own discussion will have served its purpose if by outlining these issues and by taking a tentative position upon some of them, it assists others to discuss them.

For a century or more men have lamented the decline of the old industry, so small of scale that it gave men a ready chance to rise to positions of proprietorship and command, and yet of so many units that competition between units was keen and was deemed to be beneficial rather than destructive. The small industry is still with us, but large scale industry with its economy of costs has usurped the dominant place. The worker today, once a wage earner, remains a wage earner; less perhaps in a changing and expanding country like the United States than elsewhere, yet here also, in the main. Competition is between large units but at many points it is regulated and

moderated; in some industries, such as the public utilities, it hardly exists, governmental regulation seeking to perform an equivalent service.

These developments have brought to the fore the problem of ownership. Sometimes the institution of private property has itself been attacked; but more commonly in the United States it has been defended both by wage earners and by owners. Discussion has turned rather upon the best scheme of ownership of the large units or aggregations of modern capital.

Among the many views that are held in these discussions, two opposite views stand forth in special prominence. One holds that concentrated ownership, ownership by the few, is best. Such ownership is then declared to be the most efficient kind and more easily made responsible to the public interest than any other. The second view holds that scattered ownership, ownership by the many, is best. Such ownership, in turn, is declared to provide the best safeguard for society as a whole and therefore, if for no other reason, to be in the long run the most efficient. For the second view there has been substantial warrant both in the facts of history and in the opinions of writers: from ancient times men have attacked the principle that the few should own and the many should serve, holding it to be a principle of instability, tending to subvert the state.

In one form or another popular ownership has been the rule in our country from its very beginnings. Generally this has been an immediate ownership of land and goods. With the development of large scale industry it became, slowly at first, an ownership of securities. The special movements for customer and employee ownership are essentially parts of an extensive general movement for popular ownership which has been under way from the beginning of the present century and has made particularly rapid progress in recent years.[1]

[1] It is worth recalling that the source of stock sold directly to employees is sometimes trust funds or the holdings of one individual or family. The popular

With popular ownership as such we are here not directly concerned, yet much that is said of it in current discussions is intended to apply with equal truth to employee ownership as such. Its defenders have argued that it would naturally lead to a more conservative and stable management of the particular industry in question and so, in turn, of industry in general. This argument has been met with the declaration that on the contrary it would lead to a decline of good management. Its critics in fact have held that no management could be enterprising if the stockholders included many employees and other persons of small means and they have further held that in such conditions a narrow clique of persons, presumably bankers, would be likely to control the corporation for their own ends.

Since the question of management plays so large a part in any review of these questions, some aspects of it may here be considered. No brief consideration of these aspects can constitute a final reply to the position just stated, but the points raised cannot be ignored in any reply that is made. Employee ownership—and to a less degree customer ownership—is direct ownership, ownership by interested persons. Direct ownership has always been adjudged more competent and trustworthy than absentee ownership. The force that would conserve the property and the force that would direct its use proceed from a source that is at once in a position to have knowledge and to use this knowledge wisely. Employees are likely in the case of many corporations to constitute a more intelligent and devoted body of stockholders than a large part of those persons who have acquired stock through the ordinary channels of investment. It is true that, untrained, they may prove unfitted for many of their responsibilities. In that event, a field may be said to exist for training in which, it is conceivable, vastly more may be done in the future than has been done in the

ownership of securities in general results largely from the scattering of blocks previously closely held.

past and may have far-reaching effects. It would not be surprising if employees as a class should in time prove to comprise a group of altogether unusual and special value in the management of industry and definitely superior to much of the absentee managership that prevails today.[1] It is, after all, with the more miscellaneous part of absentee managership that employee managership is in practice most fitly and most favorably to be contrasted.

The defense of employee ownership proceeds not alone from those who have no fears for the quality of management of our corporations. It is undertaken by those who would deplore the permanent growth of a wage earners' caste, the coming of a class counterposed to another, the owning class, the acceptance by the workers of a status which has always in the past bred discontent and often produced warfare.[2] If employee investment were never to be other than a minor movement, it would have no bearing on the situation just described. If it were to grow at the rate at which it has grown during late years, it could hardly fail to have a bearing.

There are some special consequences of the acquisition of stock which may prove to be of importance to our wage earners. Capital is not stationary; it increases. In the future growth of capital in the United States, it is possible that a substantial

[1] While bloc voting is not here intended, there is enough argument for such voting by employee shareholders to make it desirable that it be given a trial under auspicious circumstances. That workmen come and go, buying and selling their shares, is in itself not a sufficient answer to the argument. Among stockholders of all classes there are always many shifts.

[2] Not by any rate of wages obtainable by bargaining will workers share in the equities of a profitable business. Where industry is competitive (wholly or partly) the payment of a full rate of wages will still leave some companies at nearly all times, and many companies at some times, in possession of substantial profits. It is through equity-ownership that labor can share directly in these profits.

The modern wage earner may seem far removed from the old-time potter or carver, yet he is nearer to that analogue when he is one of many employee-shareholders of a company than when he has no ownership, either direct or indirect, of the tools he works with and depends absolutely for his living on employment for wages. The force of this statement is the greater as the share holdings of the employees are the greater.

portion will belong to the workers. As owners of increasing capital, they would then automatically participate in many of the gains that come from new technical developments in industry. How important this advantage may prove to be depends on such matters as the nature of the improvements that lie ahead and the speed with which they may come, matters regarding which prediction would be idle.

Another consequence deserves to be pointed out, however intangible its nature. The bulk of employee saving and investment is already large. In theory, every addition to capital, every increase in the tools of labor, makes possible a heightened demand for labor and is reflected in various advantages that accrue to the laborer, such as more continuous employment, employment in a more important and better remunerated capacity and the like. These are advantages for the wage earner as such and are apart from the direct return to capital which, since workmen's capital is especially in question, would likewise in so far redound to the advantage of the workmen who saved.

It will probably become more and more apparent that not only the indirect gains to workmen and to industry but also those direct gains which the workmen have in mind when they buy stock depend in a high degree upon the stability of the return upon investments. How great this stability will be in the future, no man can foresee. It is not unreasonable, however, to attach some significance to the evidence for increased control over business conditions to which reference has already been made. In the period of pronounced and drastic deflation that followed the post-war boom in the United States, neither the earned incomes of labor nor the distributed earnings of capital suffered greatly. Those workers, on the whole, were in a favored position who received both earned and investment incomes. The dividend on good stock acts as a steadying force, making the fluctuations of earning power less hurtful than they might

otherwise be. In so far as incomes are steadier, expenditures and consumption are steadier. Maintenance of expenditure can be expected to have the effect of tempering the severity of the depression phase of the business cycle.

The movement for employee ownership is in its origins frankly a capitalistic movement. It could arise only in a society organized according to the principles of capitalism. In this frank dependence upon modern capitalism, the movement is not different from movements originating wholly among employees, such as the trade union movement itself, the labor bank, even the cooperative society. Whoever takes employment at the hands of another, whoever deposits money in a savings bank hoping to get a return of income, accepts in so far the essential institutions of the economic structure of our time. There is one important respect, however, in which the stock purchase movement may exert a modifying and corrective influence upon the asperities of the capitalistic system: it tends to diminish the dependence of the wage earner upon his current wages by providing a reserve of property and a secondary income.

These various consequences and benefits of the movement are pointed out with no illusions as to their present actual or relative importance in our society. They are types of benefit whose future importance will depend upon many things, not least the skill with which our employers allay or meet the various fears which the movement insistently arouses from time to time. These fears are natural and in the interest of the movement itself it is fortunate that they should have been voiced. Abuse is easily possible in connection with the sale of stock. Unwise and unskilful managers of corporations can do much harm. At every point the good faith of employers is vital. If the offer of stock is used as a cloak to conceal wage exploitation, or if it is used as a weapon to break up a spontaneous movement of organization among the workers for self-

protection, it can only come to grief. If it is introduced and defended as a device for combatting radicalism, it is bound to be attacked by precisely those persons who believe in the necessity for the radical challenge. A movement which takes on so many forms, a movement capable of extension into every corner of the land, should in its own best interest be faced constantly by vigilance. Left to themselves, some companies may depend for the good opinion of their employees on dividends paid to employee shareholders; and some workers may accept dividends in lieu of other advantages due to them. So long as this is possible, it is therefore not surprising that spokesmen for the trade unions should sometimes express the fear that the movement may blind the worker to the importance of wage scales. Governments and trade unions will properly watch the movement, but not less will all employers watch it who seek the best development of their relations with their employees. If in the long run the progress of the movement cannot reconcile the natural fears which it has aroused, the fault may well prove to lie with those who have sponsored it.

So recent has been the expansion of the stock purchase movement that it is a reasonable guess that the best forms of purchase have not yet been worked out. A great deal of invaluable experimenting has been done and many things are clearer today than they were five or ten years ago, but it will undoubtedly take more years to meet the fears that have been aroused and to guard against some of the more serious risks that are still associated with the movement.

APPENDIX A

Companies Which Have Introduced Stock Ownership Plans

(EXCLUSIVE OF COMPANIES LISTED IN APPENDIX B)

COMPANIES are regarded as having active plans if their employees are still paying for stock or if the companies are still making bonus payments on it. Companies which limit their offerings to certain classes of employees are named in a separate list. Those which have "savings funds" or "investment associations," in which the employees' interest may be distributed in either cash or securities, are included in a third list. "Profit sharing plans" under which the distribution may be in stock and stock purchase plans which provide for additional dividends dependent upon profits are in a fourth list. Several companies having ordinary stock plans and at the same time "savings funds" from which the distribution may be in stock are named in one list only. In some cases it has been difficult to determine in which list a name should be included and a partly arbitrary decision has had to be made.

Where the plan of one company embodies the major features of the plans of subsidiary companies, no attempt is made to list the latter. Where a merger is in process the name of the component company which developed the plan is retained.

A total of 306 plans have been studied: 233 of these are active today, but twelve are confined to limited groups of employees; ten are "savings funds" and eleven are "profit sharing" plans, the distribution under which may be in stock; seventy-three have terminated. In addition to the companies whose plans are referred to, many public utility companies not enumerated in our lists have sold stock to their employees on approximately the same basis as their sales to customers.

Companies having Stock Purchase Plans of the more usual types

(MAY 1, 1926)

Air Reduction Company
Alabama Power Company
Alexander Industries
American Cast Iron Pipe Company
American-La France Fire Engine Company, Inc.
American Laundry Machinery Company, The
American Rolling Mill Company, The
American Sugar Refining Company, The
Armstrong Manufacturing Company, The
Associated Gas and Electric Company
Atlas Powder Company
Bean Spray Pump Company
Belden Manufacturing Company
Bell Company, James A.

Benedict Manufacturing Company
Bergen Point Iron Works
Best and Company
Bloomingdale's
Boston Woven Hose and Rubber Company
Bradley Knitting Company
California Corrugated Culvert Company
Carter's Ink Company, The
Chicago Pneumatic Tool Company
Childs Company
Citrus Soap Company
Columbia Gas and Electric Company
Craddock-Terry Company
Elliman and Company, Inc., Douglas L.
General Petroleum Corporation
Geometric Tool Company, The
Giant Powder Company, The
Gibson Company, The Wm. D.
Hall Printing Company, W. F.
Hamilton Manufacturing Company, The
Hamilton Watch Company, The
Henneberry and Company
Ilg Electric Ventilating Company
International Silver Company
Kansas City Power and Light Company
Leeds and Lippincott Company
Leeds and Northrup Company
Libby, McNeill and Libby
Los Angeles Gas and Electric Corporation
Louisville Gas and Electric Company, Inc.
Lowell Paper Tube Corporation
Ludlow Manufacturing Associates
Marshall-Wells Company
Miner Hillard Milling Company
Monongahela West Penn Public Service Company
Murphy Varnish Company
Narrow Fabric Company, The
Nebraska Power Company
New England Company
New Haven Gas Light Company
Northern States Power Company
Nystrom and Company, A. J.
Ohio Power Company, The
Old Dominion Company
Oneida Community, Ltd.
Owens Bottle Company, The
Pacific Gas and Electric Company
Pacific Power and Light Company
Package Machinery Company
Pennsylvania-Ohio Power and Light Company, The
Pennsylvania Power and Light Company
Pettibone Mulliken Company
Portland Gas and Coke Company
Public Service Corporation of New Jersey
Rochester Folding Box Company, The
Rochester Gas and Electric Corporation
St. Albans Grain Company
Scruggs-Vandervoort-Barney Dry Goods Company
Sears, Roebuck and Company
Shaft-Pierce Shoe Company
Shevlin-Hixon Company, The
Southern California Gas Company
Staley Manufacturing Company, A. E.
Standard Oil Company (Kentucky)
Stanley Works, The
Stein-Bloch Company, The
Stetson Company, John B.
Stetson Shoe Company, Inc., The
Stromberg-Carlson Telephone Manufacturing Company
Tanners Products Company
Tennessee Electric Power Company, The
Thompson, Sons and Company, Inc., John L.
Tolman Print, Inc.
Tri-State Telephone and Telegraph Company, The
Union Tank Car Company
United Power Securities Company, The
Utica Gas and Electric Company
Vacuum Oil Company, Inc.
Warner Hardware Company
Washington Railway and Electric Company
Wayne Knitting Mills
Wheeling Steel Corporation
White Company, R. H.
Wurlitzer Company, The Rudolph

Banks having Plans

Atlantic National Bank of Boston, The
Bankers Trust Company, New York
City National Bank, The, Columbus
East River National Bank, New York
First National Bank of Chicago, The
First National Bank, Philadelphia
First National Bank, Scranton
Guardian Trust Company, The, Cleveland
Hibernia Bank and Trust Company, New Orleans
Interstate Trust and Banking Company, New Orleans
Mercantile Trust Company, St. Louis

APPENDIX A

Companies having Plans for Limited Groups of Employees

Abbott Laboratories, The
Air Reduction Company
Brown Shoe Company
Buckeye Steel Castings Company, The
DeVoe and Raynolds Company, Inc.
Fuller and Smith
General Engineering and Management Corporation
Halle Brothers Company, The
Oneida Community, Ltd.
Parke, Davis and Company
Roberts Company, The U. N.
Simpson Company, Ltd., The Robert

Companies having Savings Plans under the Terms of which the Distribution may be in Stock

Central Hudson Gas and Electric Company
Delaware and Hudson Company, The
Peoples Gas Light and Coke Company, The, Chicago
Public Service Company of Northern Illinois

Companies having Profit Sharing Plans under which Distribution has been or may be in Stock

American Lithographic Company
Baker Manufacturing Company
Boston Consolidated Gas Company
Butler Brothers
Clow and Sons, James B.
Fox Paper Company, The
Jewel Tea Company, Inc.
Nelson Manufacturing Company, N. O.
Underwood Typewriter Company, Inc.

Companies whose Plans have terminated

If the employees' shares have been paid for and certificates delivered and if no plan is in effect under which employees are still making payments, or under which they are still receiving bonus payments, the plan has been designated as "terminated." Some companies have been included in this list because no recent information about their plans was obtainable.

American Brake Shoe and Foundry Company, The
American Ice Company
American Woolen Company
Belle City Malleable Iron Company
Berry Brothers, Inc.
Blackstone Valley Gas and Electric Company
Cleveland Hardware Company, The
Cleveland Worsted Mills Company, The
Crane Company
Crown Willamette Paper Company
Dayton Power and Light Company, The
Deere and Company
Detroit Edison Company, The
Detroit Sulphite Pulp and Paper Company
Devlin Manufacturing Company, Thomas
Duplan Silk Corporation
Dutchess Bleachery, Inc.
Elgin National Watch Company
Fairbanks, Morse and Company
Fisk Rubber Company, The
Gates Rubber Company, The
General Electric Company
Globe-Wernicke Company, The
Goodyear Tire and Rubber Company, The
Graton and Knight Manufacturing Company, The
Gulf Coast Lines
Harsh and Chapline Shoe Company
Hilo Varnish Corporation

Home Telephone and Telegraph Company, The
Hydraulic Steel Company, The
International Nickel Company, The
International Ticket Company
Irving Bank-Columbia Trust Company, New York
Kelley Island Lime and Transport Company, The
Kelly-Springfield Printing Company, The
Kelly-Springfield Tire Company
Knopf Clothes
Larkin Company, Inc.
Lee Rubber and Tire Corporation
Lehigh Coal and Navigation Company, The
Library Bureau
Lowenstein and Sons, Inc., M.
Manufacturers Light and Heat Company, The
Marshall Field and Company
Mathews Company, Frederick C.
National Carbon Company, Inc.
National Cloak and Suit Company
New England Confectionery Company
Northwestern Terra Cotta Company
Odell Hardware Company
Pacific Mills
Penton Publishing Company, The
Philadelphia Electric Company, The
Purina Mills
Radio Corporation of America
Reis and Company, Robert
Remington Typewriter Company
Riordon Company, Ltd.
Robinson Clay Product Company, The
Safe-Cabinet Company, The
Sanger Brothers
Sinclair Consolidated Oil Corporation
Standard Parts Company, The
Stockham Pipe and Fittings Company
Telling-Belle Vernon Company, The
Texas Company, The
Trumbull Steel Company, The
Union Switch and Signal Company, The
Warner Company, Charles
Westinghouse Electric and Manufacturing Company
Wheeling Mold and Foundry Company
Wiser Oil Company, The
Yawman and Erbe Manufacturing Company

APPENDIX B

Summaries of Various Plans

THE aim here has been to present only the chief facts of the plans described. From some statements certain kinds of facts that are included in others are omitted because information was not available, or because the nature of the plan itself excluded them, or because the relevant provisions were similar in most plans. For reasons of appropriateness the phrases used to designate some items in the summaries vary.

AMERICAN OPTICAL COMPANY

First offering, January 1926. Administration, five trustees. Eligible, any employee. Kind of stock, preferred. Source, stock was surrendered by trustees out of personal holdings. Price, $100.

Shares subscribable, no limit stated. Payment, cash in full or instalments over forty-nine weeks; interest, about four per cent credited on payments.

Employee may cancel any time within three years; payments refunded. Cancellation by company, if subscription not paid for at end of one year company returns payments with four per cent.

About 630 employees subscribed for 1,750 shares.

AMERICAN TELEPHONE AND TELEGRAPH COMPANY

Plan effective, May 1, 1921. Eligible, employees of six months' service. Kind of stock, common. Source, treasury. Price, fixed by company from time to time; thus, May 1, 1921, $100; December 1, 1921, $105; March 1, 1922, $110; October 1, 1922, $115; February 1, 1924, $118; January 1, 1925, $121; June 1, 1925, $125.

Shares subscribable at one time, one for each $300 of annual wages but not more than fifty shares in any one year. Stock subscribed for does not participate in rights to subscribe for new stock until payments completed.

Payment, $3.00 a share monthly ($1.50 a share semi-monthly, or 75c weekly). Seven per cent compounded quarterly on payments credited. Payments may be suspended not exceeding three months by reason of leave of absence, lay-off or transfer to disability payroll; deferred payments to be made up by uniform deductions from pay during following six months.

Employee may cancel any time, upon filing application, as to any or all shares; payments, with six per cent compounded quarterly, refunded. Company cancels if service terminates, if payments not made direct, or if deferred payments not made up as provided in case employee not on regular payroll because of leave of absence, lay-off or disability, refunding payments with six per cent compounded quarterly; if rights under subscription agreement alienated, payments with four per cent compounded refunded. In case of death, payments, with seven per cent compounded quarterly, refunded. Pensioned employee has option of paying balance due and receiving certificate, or of continuing payments, or of receiving payments with six per cent compounded quarterly.

As of December 31, 1925, 553,000 shares were owned by 57,000 employees; 621,000 shares were being paid for by 160,000 employees.

AMERICAN TOBACCO COMPANY, THE

First offering, April 1917; eighth offering, April 10, 1925-July 1, 1925. Administration, committee appointed by directors. Eligible, any employee. Kind of stock, preferred. Source, bought in market. Price, $103.

Subscription terms, employees receiving $999 or less annually, two shares; $1,000 to $1,999, four shares; $2,000 to $2,999, six shares; $3,000 to $3,999, eight shares; $4,000 to $9,999, ten shares; $10,000 and over, twenty shares. Bonus of $4.00 a share per year paid (credited if subscription not paid) on stock retained by employees for five years beginning January 1926.

Payment, $4.00 a share monthly but not more than twenty-five per cent of one month's wages. Payments to be completed within two years. Dividends on stock credited; five per cent charged on deferred payments.

Employee may cancel at any time; payments refunded. Company cancels if employee fails to complete payments in lump sum in case his service terminates, or discontinues payments for three months; payments refunded. In case of death, beneficiary may complete payments in lump sum, within sixty days of employee's death, or receive difference between original purchase price of stock and balance due; if stock fully paid for when employee dies, bonus payments cease as of January preceding his death.

ARMOUR AND COMPANY

First offering, October 20, 1923. Current plan effective January 1, 1924. Eligible, any employee. Kinds of stock, Armour and Company of Delaware, preferred; Armour and Company of Illinois, preferred. Source, bought in market. Price, average market quotation of week in which application accepted in Chicago.

Maximum shares subscribable at one time, fifteen. Bonus of $2.00 a share per year paid (credited if subscription not paid) for five years beginning January 1926.

Minimum payment, $1.00 a share weekly. Dividends on stock credited; five per cent charged on deferred payments. Payments may be suspended not more than thirty days.

No provision for cancellation by employee. Employees voluntarily leaving service may pay balance due and receive stock, or receive a refund on basis of current market price of stock. Discharged employees may pay balance due within ten days and receive stock, or have payments with five per cent refunded. In case of death, if beneficiary does not pay balance due on subscription within thirty days, payments with five per cent refunded.

ATCHISON, TOPEKA AND SANTA FE RAILWAY SYSTEM, THE

Plan effective, March 31, 1923. Eligible, any employee. Kinds of stock, preferred or common. Source, bought in market. Price, market.

Maximum shares subscribable at one time, ten; after employee has completed his payments for one order, additional shares may be purchased on same terms.

Payment, $10 a share down and $10 a share monthly thereafter. Dividends on stock credited; six per cent charged on deferred payments. An extension of time up to one year granted if employee cannot make payments when on leave or because of sickness.

If employee does not complete payments when his service terminates, company sells stock in market deducting balance due from proceeds. In case of death, beneficiary has option of completing payments or of receiving proceeds from stock sold in market, less balance due company.

As of October 1, 1925, 253 employees owned 1093 shares of preferred and 243 employees owned 900 shares of common.

BANK OF ITALY, SAN FRANCISCO

Plan effective, January 1, 1925. Administration, Bancitaly Corporation

is trustee; board of directors has final decision. Eligible, any employee, including officers, of one year's service, except employees disqualified by resolution of executive committee of bank and pensioned employees. Kind of stock, capital. Price, fixed semi-annually by directors and trustees at substantially market.

Subscription terms, three arrangements:

1. Extra compensation. Five per cent of annual salary of employee receiving less than $6,000 credited to him on January 1 following first full year of continuous employment, and thereafter percentage credited increased one per cent for each additional year of service until maximum of ten per cent is reached.[1]

2. Savings provision. Not less than three per cent nor more than ten per cent of each employee's salary, plus one per cent for each year of service after first, deducted by bank, as often as employee is paid. In case of employees receiving less than $6,000 a year, minimum percentage to be deducted may be the amount of extra compensation at time it is credited; no employee may have more than thirty per cent of salary deducted.

3. Special compensation. Forty per cent of net receipts of bank paid to trustees semi-annually (since July 1, 1925) from which sums provided for employees' benefits are first deducted; balance pro-rated to credit of respective employees on basis of balances in their accounts under the provisions of 1. and 2. above.

Sums in employees' accounts are invested by trustee in stock; four per cent credited on any amount less than a full share, until next semi-annual payment of extra and special compensation.

After January 1, 1925, upon completion of ten years' service, employee receives a trust certificate evidencing his ownership of stock held in his account by trustee. Ten years after issuance of trust certificate, stock delivered to employee.

Dividends on stock held for employee's account are paid direct; stock dividends are credited to his account.

No provision for cancellation by employee, but trustee may lend him money in case of necessity secured by his interest in plan. So long as he is indebted to trustee, however, his right to special compensation is restricted.

Company cancels if employee is discharged for cause; payments

[1] After the extra compensation credited has been ten per cent for a year, the employee may receive the portion in excess of three per cent in cash.

with four per cent, for which no trust or stock certificates have been issued, refunded. If employee discharged without cause, trustee has option of refunding stock held for employee's account plus cash balance, or cash for stock also; if employee resigns, within twelve months receives amounts paid to trustee on account of extra compensation, savings provision and special compensation, less all sums and stock and trust certificates theretofore paid or delivered to him by trustee. In case of death or retirement on pension adjustment is same as in case of discharge without cause.

BELL TELEPHONE COMPANY OF CANADA, THE[1]

Second plan effective, May 1, 1922. Eligible, employees of six months' service. Kind of stock, capital. Source, treasury. Prices, May 1, 1922, $100; October 1, 1922, $110; April 1, 1924, $115.

Shares subscribable at one time, one for each $300 of annual wages but not more than fifty shares in one year; stock subscribed for does not participate in rights to subscribe for new stock until payments are completed.

Payment, $3.00 a share monthly; seven per cent compounded quarterly credited on payments; payments may be suspended not exceeding three months because of leave of absence, lay-off or transfer to disability payroll,—deferred payments to be made up by uniform deductions from pay during following six months.

Employee may cancel any time upon filing application, as to any or all shares; payments on each share cancelled, with six per cent compounded quarterly, refunded. Company cancels if service terminates (except by death) or employee fails to make payments direct or make up deferred payments in case he is not on regular payroll by reason of leave of absence, lay-off or disability; payments, with six per cent compounded quarterly, refunded. If employee alienates rights under subscription, payments, with only four per cent compounded, refunded. In case of death, payments, with seven per cent compounded quarterly, refunded. Pensioner has option of continuing payments and receiving certificate, or receiving payments with six per cent interest compounded quarterly.

[1] It should be noted that the plans of a few Canadian companies have been included in this study.

BETHLEHEM STEEL CORPORATION

First offering, January 31, 1924; second offering, February 2, 1925; third offering, February 1, 1926. Administration, six trustees appointed by board of directors. Eligible, any employee. Kind of stock, preferred. Source, bought in market. Price, 1924, $94; 1925, $100; 1926, $101.

Maximum shares subscribable, one for each full $400 of annual wages. Bonuses are to be paid (credited if subscription not paid) on each share of stock retained by employees, commencing in January 1927 with $1.00 a share and increasing $1.00 each year up to $5.00 a share in January 1931.

Minimum payment, $4.00 a share monthly; maximum, not more than twenty-five per cent of estimated wages. Dividends on stock credited; five per cent charged on deferred payments. Payments may be suspended not exceeding three months (or such additional period as trustees may fix) by reason of temporary disability or lay-off.

Employee may cancel any time, upon written notice to trustees, who have option for thirty days of delivering shares equivalent to employee's credits (including dividends and bonuses after deducting interest on deferred payments) together with cash for odd balance, or of refunding payments with five per cent, or of permitting employee to pay balance due. Company cancels if service terminates (except by death, total disability or pension), or if employee fails to make payments for more than three months (or such additional period as trustees may have fixed) because of temporary disability or lay-off, or if he alienates any interest under subscription agreement without written consent of trustees. Trustees have same options in case of cancellation for any of foregoing reasons that they have in case employee cancels. In case of death, permanent disability or pension, employee (or beneficiary in case of death) has option, to be exercised by written notice to trustee within thirty days, of completing payments upon subscription (if satisfactory arrangement can be made with regard to unpaid instalments), or of receiving stock fully paid for together with cash for odd balance, or of receiving payments with five per cent interest.

BROOKLYN EDISON COMPANY, INC.

Plan effective, 1910. Administration, board of trustees consisting of president, general manager, treasurer and auditor of company, two persons elected by participating employees (by ballot for a term of

two years) and two directors of company appointed by president. Eligible, any employee. Kinds of securities, stocks, bonds or obligations of company. Source, bought in market. Price, market.

Terms, any employee may pay either three per cent or five per cent of his weekly wages, or such other regular payments as trustees may accept, which funds are invested and reinvested by trustees. Dividends declared by trustees out of earnings of fund may be withdrawn in cash or credited. Payments may be suspended for three months during lay-off. Upon thirty days' notice, which may be waived, employees may withdraw any or all of their funds in securities if funds are large enough to purchase a complete unit, or in cash. (Securities are delivered at "withdrawal" price which is determined from time to time by trustees.) Employees of two to three years' service are credited with twenty-five per cent of dividend rate paid on capital stock during any year, on their annual wages; of three to four years' service, with fifty per cent; of four to five years' service, seventy-five per cent; of five or more years' service, one hundred per cent. These credits may not be withdrawn within three years, except by reason of death, or to make a payment on a house, or in case of unusual necessity, or in case employee quits and has given one month's written notice of his intention.

Employee's right to participate ceases if his service terminates; trustees may refund his credit balance in cash or in securities. In case of death, beneficiary may withdraw employee's credits in securities or in cash.

At the end of 1924, 910 employees owned 9,112 shares of company's stock. The fund held 8,436 shares for the benefit of 3,603 employees.

Brooklyn-Manhattan Transit Corporation

First offering, July 16, 1924. Eligible, employees of three months' service. Kind of stock, preferred. Source, bought in market. Price, $65.

Ten shares declared maximum subscription but because of large over-subscription it was not possible to allow more than three shares to one employee. Employees who completed final payments, and retained stock for one year thereafter, received a bonus of $1.00 a share and will receive an additional $1.00 a share if stock kept for two years.

Payments, $5.00 monthly. Dividends on stock credited; five per cent

charged on deferred payments. Company reserved right to cancel subscription in case of failure to pay any instalment for more than ten days after it was due.

Employee could cancel any time upon written notice; payments with five per cent refunded. Company reserved right to cancel if service terminated, refunding payments with five per cent.

Fifteen thousand shares subscribed for by 10,609 (80.6 per cent of those eligible) employees.

BUCYRUS COMPANY

First offering, 1917; most recent, January 1, 1926. Administration, a trustee. Eligible, any employee. Kind of stock, preferred. Source, bought in market. Price, $100.

Maximum shares subscribable varies with compensation, according to twelve wage groups; the limits are from one to sixteen shares. Bonus of $5.00 a share per year paid (credited if subscription not paid in full) for five years on stock retained by employees.

Payment, $2.50 a share monthly but not more than twenty-five per cent of one month's salary; payments must be completed within three years. Interest on payments credited as well as dividends on stock. Four per cent charged on deferred payments. Payments may be suspended during lay-off, without loss, if employee willing to return to work; period of suspension not counted as part of three years' limit to pay in full.

Employee may cancel any time; payments with four per cent refunded. Company cancels if service terminates without arrangement for completing payments on stock, or if employee fails to resume employment when requested, or if he fails to make payments for three consecutive months without consent of trustee; payments with four per cent refunded.

BUDD MANUFACTURING COMPANY, EDWARD G.

Plan effective, 1920; Series VII offered for period ending January 31, 1926. Eligible, employees of one year's service. Kind of stock, preferred. Source, bought in market. Price, $100.

Maximum shares subscribable by employees earning $1,200 or less, three; $1,200 to $2,000, seven; $2,000 or over, fourteen. Subscriptions are accepted in order of receipt. Bonus of $5.00 a share per

year paid (credited if subscription not paid in full) for five years, commencing February 1, 1927, on stock retained by employees.

Payment, $2.00 a share monthly but not more than twenty-five per cent of wages, and in even dollars; payments to be completed within four years. Dividends on stock paid in cash to employee; even if he discontinues payments, dividends are paid to him until they equal payments made, after which they are credited to employee's account. Five per cent charged on deferred payments to be paid in cash at end of each year. Payments may be suspended for not more than three months during temporary closing of plant.

Employee may cancel at any time; payments, with five per cent less dividend paid direct, refunded. Company cancels if service terminates, if employee fails to resume employment when requested, or if he discontinues payments without consent for three consecutive months; payments, with five per cent less dividends paid direct, refunded. In case of death or permanent disability, payments plus dividends declared and not paid and $5.00 a share bonus for entire five years' period refunded; if subscription paid and stock still owned, $5.00 a share paid for each of five years not expired.

In January 1926, employees had subscribed for 4,675 shares ($467,500), 1,654 shares of which had been paid for in full.

BURRITT COMPANY, THE A. W.

Current plan effective, February 1, 1917; similar plan in effect for twenty-four years prior. Eligible, officers and other employees occupying executive positions; board of directors submits list of those eligible to annual stockholders' meeting for modification, ratification or rejection. Kind of stock, common. Source, treasury. Price, book value of outstanding common as determined by inventory last preceding date of contract which employee signs for stock but not less than $50 (par).

Subscription terms: within sixty days after close of any fiscal year eligible employee may subscribe $1,000 or less for the first $1,000 of his salary, and five times amount of his salary in excess of $1,000. Holders of common stock or subscribers to common stock contracts may be discharged only by vote of board of directors, approved by a vote of stockholders at annual meeting; employees may attend stockholders' meetings while still paying for stock but may not vote until after stock is paid for. Certificate for twenty-five per cent of

stock issued after thirty-five per cent of total subscription has been paid; thereafter a certificate issued when twenty-five per cent payments are completed.

Payment, two and one-half per cent of subscription price on each of last days of April, July, October and January following the subscription; "treasurer's receipts" given for such payments. From time to time, holders of these receipts are voted[1] a share in profits, as a bonus for their services, which may not be more than six per cent a share subscribed for if any second preferred stock is outstanding; profits or bonus voted are credited, first, to payment of six per cent charged on unpaid balance of an employee's subscription and, second, to principal of contract.[2]

Company may cancel if employee fails to make four quarterly payments indicated in common stock contract; payments refunded. Company exchanges any common stock which employee may have acquired for second preferred at end of any fiscal year in which employee's service terminates.

California Packing Corporation

Second offering, January 2, 1924. Administration, executive committee of corporation. Eligible, any employee. Kind of stock, common. Price, $75.

Maximum shares subscribable, fifty. Employees still paying on their subscription or holding their stock to receive a bonus of $5.00 a share on March 1, 1927.

Payment, $5.00 a share down and $1.00 a share monthly thereafter; payments may be completed at any time. Dividends on stock credited; six per cent charged on deferred payments from January 1, 1924. Payments may be suspended in case of sickness, disability or other reasons satisfactory to committee.

Employee not permitted to cancel except for reasons satisfactory to committee, in which case payments with six per cent refunded. Company cancels if service terminates before March 1, 1927; payments with six per cent refunded. In case of death, beneficiary must within reasonable time either continue payments, or make payment in full, or cancel, upon which payments with six per cent refunded.

[1] A majority vote of board of directors required.

[2] After the first year the profits or bonus voted above the interest payments due on subscription may be applied to purchase of a house if employee desires.

Under first offering, 9,749 shares at $70 were sold to employees; the second offering was of 15,000 shares.

CALIFORNIA PETROLEUM CORPORATION

Plan effective for three years beginning January 1, 1926. Administration, three trustees appointed by board of directors. Eligible, employees of three months' service. Kind of stock, common. Source, treasury. Price, fixed by trustees as of January 1, 1926, April 1, 1926, and July 1, 1926, and at such subsequent dates as may be deemed advisable, at not above nor more than ten per cent below average market price for preceding three months,—in no case below par.

Maximum subscription, shares equal in value to fifteen per cent employee's annual wages; a second subscription may be made after first fully paid. Rights to subscribe to new stock may be exercised in same manner as though stock paid for by employee were in his name instead of trustees. All stock delivered on termination of plan.

Payment, monthly instalments of five per cent of wages during month preceding date of subscription; fifty cents credited by corporation to account of employee for each dollar paid by him. Dividends on stock, and interest earned by fund, credited.

Employee may cancel any time; trustees have option of refunding payments with six per cent or equivalent in stock, reckoned at cost of stock purchased for employee's account; employee ineligible to participate in plan again for one year. Company cancels if service terminates; trustees have same option as in case of cancellation by employee. In case of death, full amount of stock and/or cash to employee's credit refunded.

CHICAGO, ROCK ISLAND AND PACIFIC RAILWAY COMPANY, THE

Plan effective, October 15, 1923. Eligible, employees of six months' service; a pensioned employee may subscribe also. Kind of stock, preferred, both six and seven per cent. Source, bought in market. Price, market.

Maximum shares subscribable, one for each $300 of annual wages or pension, but not more than ten shares at one time.

Payment, $5.00 a share to accompany order and at least $3.00 a share monthly thereafter; payments may be completed at any time. Dividends on stock credited; six per cent charged on deferred pay-

ments. Payments may be suspended not exceeding four months on account of disability, leave or lay-off.

Employee may cancel any time; proceeds of sale of stock in market refunded after deducting unpaid balance, including interest due and expenses of sale. Company cancels if service terminates, that is, if unpaid balance not paid on demand, company refunds proceeds of sale of stock in market after deducting balance due, including interest and brokerage charges. Pensioner may complete payments by having ten per cent of purchase price deducted from each monthly pension check.

Clark Equipment Company

Plan effective, 1916; revised, 1920. Administration, president of company. Eligible (under 1920 plan), any employee in service prior to January 31, 1920; applications of employees who began service before August 31, 1920, had to be on file for sixty days. Kind of stock, "lot" consisting of one share preferred and one share common. Source, treasury. Price, 1920, $180 a lot.

Subscription terms, one lot for each $1,500 of employee's annual wages; no employee may subscribe for more than three lots. With each lot employee receives an "employee's participating certificate" of no par value which is entitled to dividends of $6.00 a share a year, or such other rate as directors may determine; dividends on the certificates are to vary with length of service also. If employee not on payroll temporarily by reason of sickness, or other cause not his fault, he forfeits income which he otherwise would have received on participating certificates during each full thirty days of his absence, but not for any fractional part of a month. If employee's service terminates participation certificates valueless except in case of death.

President must call not less than four meetings each year of holders of employees' participating certificates; inquiries with regard to management and business of company are to be answered at such meetings.

Payment, cash in full or at least $1.00 a lot monthly.[1] Dividends on participating certificates credited; employee does not receive dividends, either cash or stock, on stock until he has paid for it in full.[2]

[1] On January 26, 1926, the company wrote that in one or two cases "a lot of stock was eventually issued to an employee who had originally made a $1.00 cash payment and had made no payment since." In other words, it would appear that an employee may pay up his subscription with the dividends on his participating certificates if he chooses.

[2] At minimum rate of payment, that is $1.00 a month and the $6.00 a year paid

Employee may cancel at any time; payments with five per cent refunded. Company cancels if service terminates; payments with five per cent refunded. In case of death, beneficiary receives money paid in on subscription together with $15 for each participating certificate; if employee's stock has been paid for and delivered, $50 paid for each participating certificate.

COMMONWEALTH EDISON COMPANY, CHICAGO

In 1909, Employees' Savings Fund, Series A, established for five years; present plan established for five years from July 1, 1924. Administration, committee of eight appointed by board of directors. Eligible, any employee of one year's service; employee's application subject to acceptance by committee. Kind of stock, capital. Price, $110.

Payment, employee may pay into fund either three or five per cent of wages; committee invests and reinvests these sums; six per cent, compounded semi-annually, credited on payments; at end of five-year period those participating receive their pro rata share of profits earned by fund. Sixty days prior to termination of plan employee to declare whether he elects to receive his payments with six per cent compounded semi-annually, or equivalent in stock. Payments may be suspended during leave of absence or lay-off; if in any year employee fails to pay three or more instalments when due, interest is compounded for that year at three per cent instead of six.

Employee may withdraw any time upon written notice; after thirty days payments with four per cent compounded semi-annually refunded. If service terminates, payments with six per cent compounded semi-annually refunded. In case of death, beneficiary must state within sixty days of death as to whether he elects to receive payments, with six per cent compounded semi-annually, or equivalent in stock plus cash for odd balance. Pensioner has same option as beneficiary in case of death; he also receives his pro rata share of profits earned by fund at termination of plan.

On June 30, 1925, 3,568 employees (forty-three per cent of total) owned stock; the number still paying on shares increases the percentage to sixty-eight.

on a participating certificate, the stock would not be paid for until the end of ten years. On January 26, 1926, the company wrote, however, that payments on participating certificates had varied from $8.00 a year to $50.00 or $60.00 a year.

CONSOLIDATED GAS ELECTRIC LIGHT AND POWER COMPANY OF BALTIMORE

First offering, 1913; present plan effective January 28, 1924. Eligible, any employee. Kinds of stock, common eight per cent, or preferred six and one-half per cent. Source, bought in market. Price, market.

Shares subscribable, not more than ten. Employee does not acquire any rights as stockholder until payments completed.

Payment, cash in full, or $5.00 with application and $5.00 monthly thereafter; payments may be completed at any time. Six per cent credited on month-end balances. Payments may be discontinued for two months usually.

Employee may cancel any time as to any or all shares; employee has option of receiving payments with six per cent or shares fully paid for. In either case, however, if market price is less than subscription price, employee is charged with difference. Company cancels if employee fails to pay instalment within one month after due; payments with six per cent refunded, unless market price of stock is less than subscription price in which event employee charged with difference.

On January 1, 1925, employees owned or were paying for approximately 2,650 shares of preferred stock and 11,000 shares of no par value common stock.

CORN PRODUCTS REFINING COMPANY

Plan effective, 1924; each year's subscriptions a separate series to run for five years. Administration, executive committee of company. Eligible, employees of six months' service; directors ineligible. Kind of stock, common. Price, fixed by board of directors at not less than par.

Maximum subscription, shares equal to not more than twenty per cent of employee's annual wages exclusive of profits shared, but not more than one hundred shares.

Payment, equal monthly instalments extending over five years; dividends paid in cash to employee, or credited to his account upon written request. If employee receives additional compensation under profit sharing plan, five per cent charged on deferred payments; no interest charged employees not receiving additional compensation, except in case of withdrawal. Stock dividends credited to employee on stock held for his account. Executive committee pays instalments in

excess of dividends credited due from employee on reduced salary because of illness or accident disability until employee able to resume regular work; such instalments paid from contingent fund accrued by reason of withdrawals or termination of subscriptions. Not more than thirty days' default in payment permitted, however, unless reasons for delay are satisfactory to trustees.

Employee may cancel any time upon written notice; payments with six per cent refunded; if employee has not been paying interest on unpaid balance, six per cent on deferred payments may be deducted; employee not eligible to subscribe again without approval of executive committee. Company cancels if service terminates; adjustment same as in case of cancellation by employee if employee quits or is discharged for cause; if discharge for no fault of his or he is totally disabled, such stock or cash as executive committee deems fair and equitable refunded,—in no case less than payments with six per cent. In case of death unpaid balance considered fully paid; executive committee has option of delivering stock certificate or cash equivalent to its market value.

CROWELL PUBLISHING COMPANY, THE

Plan effective, 1919. Administration, five trustees appointed by directors. Eligible, employees of three years' service; employee who once withdraws may not reenter plan. Kind of stock, common.[1] Source, treasury. Price, fixed at first of each year by finance committee.

Employee may deposit not more than five per cent of his salary and not more than $12.50 a month in "Fund," to which company adds annually five per cent of its net earnings for previous year, to be credited to participating employees on basis of their own contributions; trustees invest these sums in common stock of company or such other securities as they may deem advisable. Dividends on securities, shown on statement rendered to employee December 31 of any year, credited; employee also receives his pro rata share of current interest and dividends and moneys reverting to fund through premature withdrawals. At the end of seven years, employee may withdraw money

[1] In addition to common stock acquired by trustees for the "employees savings and profit sharing pension fund," a limited number of shares of common are offered to employees each year to be paid for on instalment plan; an initial payment of twenty per cent is required and the balance in equal monthly instalments extending through the year.

and/or securities in his account,—the trustees have option as to whether he shall receive cash or stock.

No provision for cancellation by employee, but trustees may loan uninvested money of fund to depositors. Company cancels if service terminates or if employee fails to make deposits regularly; trustees have option of refunding employee's deposits, with five per cent compounded semi-annually, or equivalent in stock. In case of marriage of woman employee after five years of service, including two years' participation in fund, balance to her credit is refunded; trustees may also make special provision for benefit of any individual whose case is deemed suitable for special action. In case of death, balance to employee's credit in fund refunded.

Including the 13,232 shares in fund, 46,839 shares of stock are owned by employees.

CURTIS COMPANIES, INC.

Plan effective, January 1920. Eligible, employees of two months' service. Kind of stock, employees' preferred, seven per cent, non-voting. Source, treasury. Price, $100.

Shares subscribable, an amount equal to twice employee's annual wages; employee may subscribe for more but no extra dividends for length of service paid upon additional amount. One per cent paid in addition to regular seven per cent dividend for two or more years of service; two per cent for five or more years; three per cent for ten or more years. If company discontinues special dividends it is to purchase employees' holdings at par and accrued dividends unless a new proposition, in lieu of special features withdrawn, is approved by majority of employee stockholders. If employee leaves company, his stock is retired and he receives cash or regular seven per cent preferred in exchange.

Payment, cash in full or instalments extending over no set period. Interest credited on payments at same rate that employee would receive if he had paid for his stock,—thus ten per cent credited if employee has been with company ten or more years.

Employee may cancel any time. Company cancels if service terminates; such shares of regular seven per cent preferred stock as have been paid for delivered.

As of May 9, 1925, $400,000 worth of stock owned by employees.

DENNISON MANUFACTURING COMPANY

In 1911 all the outstanding stock of company was exchanged for first preferred to receive a cumulative dividend of eight per cent. It was provided that all profits earned above amount needed to pay this dividend were to be reinvested in the business and the equivalent in stock, known as "managerial industrial partnership stock," was to be distributed among the principal employees,—those of five years' service who had to exercise imagination, tact or business judgment in their work,—on the basis of their salaries. This stock is the only voting stock of the company and its par value is $10. The cash dividends on it must not exceed twenty per cent and must not amount to more than one-half of the profits after the preferred dividends have been paid and five per cent of the remaining profits have been set aside to buy in first preferred stock. A cash dividend of at least five per cent must be paid on the outstanding managerial industrial partnership stock in order to prevent successive issues of stock upon which no cash return is realized.

If the service of a principal employee terminates, he is given one share of second preferred stock, which is negotiable, for each ten shares of his industrial partnership stock.

In 1919 the plan was amended so that all employees of two years' service on the first of January of any year received in the aggregate one-third of all the profits available formerly for stock distribution to the managerial employees. The stock issued to these "employee industrial partners" is the same as the managerial industrial partnership stock, except that it has no voting privileges. The employee industrial partners share in the distribution on the basis of length of accumulated full time service as indicated in the following table:

Group	Term of full time service on January 1 of year for which the distribution is made.	Index numbers or "points" indicating relative amounts received by individual members of each of the several groups.
1	Less than 5 years	10 points
2	5 years to 10 years	12 "
3	10 " " 15 "	15 "
4	15 " " 20 "	18 "
5	20 " " 25 "	21 "
6	25 years and over	24 "

The value of a point is determined by dividing the total amount to be distributed by the total points of the participating employees. Thus the share of an employee in any group is determined by multiplying the value of a point by the index number or points of his group.

In case an employee industrial partner's service terminates, he also receives second preferred stock in exchange for his employee's industrial partnership stock.

There are now (May 1926) about 400 principal employees and 2,640 employee industrial partners. The company has issued $3,020,160 of managerial industrial partnership stock and between $850,000 and $875,000 of employees' industrial partnership stock.

DIX & SONS CORPORATION, HENRY A.

Plan effective, 1922. Eligible, employees of two years' service. Kind of stock, Class A preferred. Source, treasury. Price, $10 (par).

Allotment terms, twenty shares for two years' service and ten additional shares for each additional year's service until one hundred shares (maximum) have been allotted; more shares may be allotted to employee because of his position.[1] On December 31, 1928, stock paid for is to be delivered; thereafter employee will receive seven per cent dividends on it. On December 31, 1932, additional stock paid for will be delivered.

Payment, employee receives (over and above usual weekly earnings) additional yearly compensation which is twenty per cent of value of ten shares allotted him for each year of service up to ten years; twenty per cent of this amount is paid in cash and eighty per cent is credited as payments on stock. Thus an employee of two years' service would receive on his allotment of $200 of stock additional compensation amounting to $40,—$8.00 in cash and $32 in credit on stock. "Special compensation" declared may also be credited on purchase price.[2] Employee must pay for stock by application of eighty per cent of the additional compensation and any "special compensation" which may be declared.

Company cancels if service terminates; sums standing to employee's credit on purchase price of stock refunded within ninety days. In case of death, within ninety days amount to employee's credit on purchase price of stock paid to beneficiary.

DOHERTY AND COMPANY, HENRY L.

First offering, January 1924-February 15, 1924; second offering, Jan-

[1] On February 17, 1926, corporation wrote that $18,800 worth of stock had been allotted on this account.

[2] On February 17, 1926, corporation wrote that no special compensation had been paid during the past three years.

uary 1925-February 20, 1925. Administration, committee of five members. Eligible, any employee. Kind of securities, bonds Cities Service Company, seven per cent debentures, Series D; Cities Service Company six per cent preferred stock; Cities Service Company six per cent preference BB stock; Cities Service Company common stock. Source, bought in market. Price, market.

Subscription terms: maximum, employees of less than one year's service, twenty-five per cent of annual salary; of one to three years, fifty per cent; of three years or more, one hundred per cent. Minimum subscription $300 (market value) of securities. On and after February 15, 1930, employees owning securities originally subscribed for will receive as a bonus Cities Service six per cent preferred stock equal to twenty-five per cent of amount of their subscriptions. Units fully paid up, by prescribed payments, delivered each month. Thirty days' written notice required of employees desiring to sell securities which have been delivered to them.

Payment, one-sixtieth of total subscription monthly. Dividends on stock and interest on advance payments credited; six per cent charged on deferred payments. Suspension of payments, if payments not made on or before tenth of month employee's rights terminate,—he will be reinstated upon payment of one per cent per month of principal in default and accrued interest.

Employee may cancel upon request subject to approval of committee of five members. Company cancels if service terminates, if employee defaults on payment, or attempts to transfer or assign rights under subscription, or fails to give company thirty days' notice of desire to sell. In case of death total debentures and/or stock delivered without further payment.

Subscriptions of employees: 1924 offering, 5,481 subscriptions for $5,146,514 (market value) of securities; 1925 offering, 2,422 subscriptions for $1,607,068 (market value) of securities.

DU PONT DE NEMOURS AND COMPANY, E. I.

First offering, 1909; present plan adopted November 17, 1924. Eligible, employees of one year's service; directors ineligible. Kind of stock, six per cent cumulative non-voting debentures. Source, bought in market. Price, $98.

Shares subscribable, number equivalent to not more than twenty per cent of employee's wages, but not more than ten. Bonus of $3.00 a

share per year to be paid on February 25 of each year for five years on stock in employees' names on December 31 of previous year and retained by them. Stock may be used as collateral for loan without impairing employee's right to bonuses.[1]

Payment, cash in full or $8.00 a share monthly; payments must be completed within one year and may be completed at any time. Six per cent interest credited on payments. Payments may be suspended for not more than three months because of illness if it is reasonably certain that employee will return to work; payments in arrears must be made up.

Employee may cancel any time upon written request; stock equivalent to payments plus interest is delivered together with cash for fractional share; shares issued entitled to bonus of $3.00 a share for five years. Company cancels if service terminates or if payments not made at minimum rate; stock equivalent to payments plus interest delivered together with cash for fractional share; if cancellation because of failure to maintain payments bonus of $3.00 a share for five years paid on shares issued. In case of death payments with interest refunded. Employee retired on pension may complete payments as if he were in active service but may not subscribe to new offering; his stock is entitled to bonuses.

Company filled orders for 8,483 shares from 1,866 employees under 1926 offering although only 7,000 shares were offered originally. Cash was paid for 4,341 of the shares allotted. As of January 1, 1926, 2,403 employees were stockholders.

Eastman Kodak Company

Plan effective, July 10, 1919. On May 27, 1919, 10,000 shares of common stock (par value $100 a share), since converted into 100,000 shares of no par value, were set aside to be sold to employees so long as they should last;[2] on March 31, 1925, it was estimated that there would be sufficient stock to fill applications up to July 1, 1926.

[1] If employee needs money because of illness or other emergency or wants to purchase a house, company helps him to obtain loan on his stock.

[2] At the same time Mr. Eastman donated a block of approximately 10,000 shares ($1,000,000 par value, old issue) of his personal holdings of common stock which was distributed among employees who had completed two years or more of continuous service prior to January 1, 1918. Each eligible employee, subject to approval of Mr. Eastman, was allotted stock at par equal to two per cent of his wages during continuous employment prior to that date. Terms of payment for stock were same as those outlined above. The moneys received were turned over to the company to be administered as a welfare fund for employees.

Administration, three managers appointed by company with approval of Mr. Eastman. Eligible, employees of two years' service. Kind of stock, common. Source, treasury. Price, $10; this the price set after the conversion of the $100 share into ten shares of no par value.

Subscription terms, employee of two years' service before January 1, 1923, entitled to apply from year to year for stock until shares equal to two per cent of total earnings during five years of continuous service allotted; participation of employees entering service on or after January 1, 1923, based on one per cent of wages instead of two; after applications approved by company managers' certificates maturing in five years are issued for stock; if purchase price with five per cent interest fully paid at date of maturity, managers' certificates exchangeable for stock certificate.

Payment, no cash required; dividends credited on managers' certificates semi-annually until purchase price with five per cent interest paid. Employee permitted to make payment in full or in part at any time; thereafter he would receive dividends direct.

Company cancels if service terminates before maturity of managers' certificates; net dividends, together with payments which employee may have made, refunded, except if a woman employee leaves to marry, she receives her allotted shares after purchase price and interest paid, if company approves. In case of death beneficiary may, subject to approval of company, exchange managers' certificates for stock certificate on payment of original purchase price with five per cent interest within one year from date of employee's death; if such payment not made, managers' certificate cancelled and net dividends, together with any payments made by employee, refunded. After purchase price and interest paid, employee retired on pension or permanently disabled may receive stock certificate for shares allotted to him.

By 1930 employees will probably own all shares which have been set aside for them.

EATON, CRANE & PIKE COMPANY

Plan effective, February 21, 1924. Administration, committee consisting of vice-president in charge of employment and personnel, employment manager, one member elected annually by department managers' association and two members elected annually by employees holding special preferred stock. Eligible, employees of one year's ser-

vice. Kind of stock, employee's special preferred, seven per cent cumulative.[1] Source, treasury. Price, $10 (par).

Shares subscribable, not over $500 worth in one year. Company will purchase at par and accrued dividends any shares which employee wants to sell if his reasons for selling are satisfactory to committee. Likewise, upon recommendation of committee, employee may obtain loan from company up to ninety per cent of par value of stock if his stock is paid for. Upon thirty days' notice company may call and redeem stock at $11 a share and accrued dividends.

Payment, cash in full or not less than 50c weekly,—or more than fifteen per cent of weekly or monthly pay; payments must be completed within one year. Dividends[2] are credited and five per cent is charged on deferred payments.

Company may cancel if service terminates. In case of death, company redeems stock at $11 a share and accrued dividends.

On March 1, 1926, 4,432 shares had been subscribed for, ninety per cent of which had been paid for.

Electric Storage Battery Company, The

Plan effective, 1923. Eligible, employees of two years' service on May 1 of each year. Kind of stock, common. Price fixed annually by directors,—1923, 1924 and 1925 at $53 a share or approximately eighty per cent of market price.

Shares subscribable, one for each $500 of annual wages but not more than twenty.

Payment, $1.00 a share monthly; dividends on stock credited. Not less than market value of any rights to subscribe to new stock or stock dividends declared to be credited. Payments may be suspended not more than six months by reason of illness or lay-off; arrears must be made up by additional monthly payments in amounts not less than amount of regular monthly payments.

Employee may cancel any time upon written notice; payments on shares given up refunded with five per cent interest. Company cancels if service terminates or if rights under subscription alienated; payments with five per cent refunded. In case of death, payments together

[1] Each share of stock has one vote at stockholders' meetings.

[2] No cash dividend of more than eight per cent may be declared on common in any year unless an extra dividend equal to one-half the difference between eight per cent and the higher rate paid on the common is also declared on the special preferred.

with credits of regular and extra dividends refunded. Pensioned employee may complete payments or have refunded payments with five per cent.

In 1923, 1,439 or 29.25 per cent of employees subscribed for 4,934 shares; in 1924, 1,232 or 28.27 per cent subscribed for 4,448 shares; and in 1925, 1,440 employees subscribed for 5,124 shares.

Famous Players-Lasky Corporation

Plan effective, August 1, 1925-July 31, 1930. Administration, six trustees appointed by directors. Eligible, employees of six months' service. Securities of Famous Players-Lasky or other corporations or of any municipality, state or government. Source, bought in market. Price, market.

Subscription terms, employee may deposit in fund not more than twenty per cent of his wages and not more than $200 a week; concurrently corporation credits an amount equal to twenty-five per cent of employee's deposits. Trustees invest and reinvest these sums; from time to time net income of investments credited to accounts of participating employees in proportion to balances in their respective accounts; sums forfeited by withdrawing employees likewise credited. Upon termination fund to be distributed in cash or in securities, at discretion of trustees, among the then participating employees in proportion to their balances.

Employee may cancel any time; payments, with six per cent compounded semi-annually, refunded; employee ineligible to participate for six months. Company cancels if interest in fund assigned without written consent or if service terminates, refunding payments with six per cent compounded semi-annually; if service terminates because of reduction in force or because of discharge without fault on employee's part, payments, with six per cent compounded semi-annually and an amount equal to twenty-five per cent of employee's contributions, refunded. In case of death payments, with six per cent compounded semi-annually and an amount equal to twenty-five per cent of employee's contributions, refunded.

Firestone Tire and Rubber Company, The

First offering, 1902; present plan adopted, 1917. Eligible, any employee. Kind of stock, common. Source, treasury. Price, $100.

Minimum subscription, two shares.

Payment, cash in full or $1.00 a week; additional payments may be made at any time. Stock certificate remains with company for five years whether stock previously paid for or not. Dividends on stock credited; six per cent charged on deferred payments. No provision for suspension of payments but permitted in practice because of accident, sickness or other emergency.

Formerly an employee could cancel upon request but provision eliminated because he may borrow up to eighty or ninety per cent of his payments. Company cancels if service terminates before five years from date of purchase (except if woman employee of two or more years' service marries within three months of time she leaves company she may continue payments as if she had remained with company), or if minimum payments are not made (unless extension of time has been granted), or if there is attempt to sell stock or rights therein during five-year period of contract; payments with six per cent refunded,—if market is above purchase price and cancellation is more than one year but less than two years from date of purchase, ten per cent of difference between prices is also refunded; if after two and less than three years, twenty-five per cent; if after three and less than four years, forty-five per cent and if after four years, seventy per cent. Adjustment in case of death: beneficiary must elect within 120 days to continue payments or to pay balance due; otherwise company buys stock at average bid price quoted in Cleveland morning newspaper on Tuesday before cancellation, or sells it in open market and refunds proceeds less balance still due. In case of total disability options same as in case of death.

In March 1926, over one-third of subscriptions were paid in full and two-thirds were in process of being paid for.

Fleischmann Company, The

Stock bought under terms of January 1923 offering has been paid for; second offering dated April 4, 1925, by estate of Julius Fleischmann, is still in process of being paid for.

ORIGINAL OFFERING

Administration, Julius Fleischmann the agent. Eligible, any employee. Kind of stock, common no par value. Source, from original stockholders, that is, members of Fleischmann family. Price, $25.

Shares subscribable, not less than ten except upon cash payment in

full. Employees agreed not to sell stock for one year, except to three principal stockholders at market price.

Payment, cash in full or $6.25 or $12.50 a share down and 50c a share monthly thereafter. Dividends credited; six per cent charged on deferred payments.

If service terminated stock sold to agent at market price at request of either company or employee; if proceeds insufficient to pay balance due, employee liable for remainder. If employee failed to carry out terms of contract, stock sold and employee received any surplus over balance due but also liable if proceeds insufficient to pay balance due.

OFFERING BY THE ESTATE OF JULIUS FLEISCHMANN

Administration, executors of estate. Eligible, employees of one year's service prior to March 1, 1925. Kind of stock, no par value common. Source, estate Julius Fleischmann. Price, $60.

Minimum subscription five shares; executors reserved right to make such allotment on each subscription as they determined. Stock certificates not to be delivered until end of five years even though payments have been completed; voting rights vested in Max C. Fleischmann and Joseph Wilshire, or their successors, during such period and thereafter until stock fully paid for.

Payment, $10 a share down and 65c a share monthly to be paid to Guaranty Trust Company of New York, depositary; additional payments may be made at any time. Regular and extra dividends, if any, credited; six per cent charged on deferred payments. If payment not made by fifteenth of each month, depositary may cancel subscription and refund payments with six per cent.

Company cancels if service terminates; payments with six per cent refunded. Adjustment in case of death: if beneficiary does not want to complete payments as specified in contract, he may request depositary to sell stock in market within six months of employee's death; proceeds, after deducting balance due, refunded.

In December 1925, the company's capitalization was changed from 1,500,000 shares of no par value common stock to 4,500,000 shares of no par value. On the new basis, 2,225, or about thirty-six per cent of the employees, hold a total of 808,600 shares.

FULLER BRUSH COMPANY, THE

Since 1917 company has confined sale of both its common and pre-

ferred stocks to those connected with the organization so far as possible. Eligible, any employee. Kinds of stock, second preferred seven per cent cumulative[1] and common Class AA.[2] Source, treasury. Price, second preferred, $100; common Class AA, fixed annually by executive committee,—in 1925 the price was $90.

Shares subscribable, no limit stated; applications for large blocks reviewed by executive committee. Formerly stock had to be bought in ratio of one share of common to four shares of preferred but at present employee may subcribe share for share, or all preferred. Common stock is not issued until after employee has completed a year of service; preferred is presumably issued as soon as paid for. If employee quits and wants to sell his stock, it must first be offered to company which has option of repurchase within six months at price paid by employee plus any increase in book value above book value at close of business on last day of month previous to date of original purchase.

Payment, cash in full or in instalments at convenience of purchaser; instalments may be paid at end of year out of employee's balance in company's savings and bonus plan or, if employee elects, his balance may be applied against stock as soon as it is sufficient to pay for a unit. Interest is credited on payments.

No provision for cancellation either by company or employee.

Less than 50 of the 1,250 stockholders are not employees; the same ratio holds as to the amount of stock held by employees.

General Cigar Company, Inc.

Recent offering, January 10, 1925-January 26, 1925. Eligible, any employee. Kind of stock, common. Source, bought in market. Price, $87.

The 5,000 shares offered were over-subscribed; all applications for twenty shares or less were allotted in full. A maximum of twenty-one shares was allotted to each employee applying for more than twenty shares.

Payment, $7.25 a share on or before February 10, 1925, and not less than $7.25 monthly thereafter; payments may be completed at any time. Dividends credited; six per cent charged on deferred payments.

Company cancels if service terminates or if any payment not made; stock sold in market and employee receives surplus, if any, after de-

[1] The first preferred is being retired as it comes on the market.

[2] The Class A common is held by those in positions of executive importance in the company.

ducting expenses of sale and balance due. In case of death or permanent disability, payments with dividends credited refunded.

GENERAL MOTORS CORPORATION

First offering, 1924; third offering, December 1, 1925-January 15, 1926. Eligible, employees of four months' service. Kind of stock, preferred.[1] Price, 1925, $99; 1926, $114.

Shares subscribable, a number equal to one-third of previous year's wages but not more than ten. Bonus of $2.00 a share per year paid in February of each year for five years after payments completed on stock retained by employees.

Payment, cash in full or $10.50 a share monthly; payments may be completed at any time. Employees who meet their monthly instalments, as well as those who pay for stock in full, receive dividends direct; six per cent charged on deferred payments, to be deducted from wages at time of final payment.

Company may cancel if service terminates, or if payments not made at minimum rate; it has option of delivering shares fully paid for at current market price together with cash for less than share, or of selling stock in market, refunding surplus after deducting balance due including interest. In case of death net amount standing to deceased employee's credit paid to beneficiary by check.

In 1924, 3,300 employees subscribed for 10,993 shares; in 1925, 3,619 employees were allotted 14,005 shares.

GOODRICH COMPANY, THE B. F.

Plan effective, July 1, 1920. Administration, executive committee of company. Eligible, employees of three months' service. Kind of stock, common. Source, treasury. Price, fixed by company from time to time.

[1] The General Motors Corporation has an employees' savings and investment plan also. Any employee of three months' service or more may pay into the savings fund an amount not exceeding ten per cent of his annual wages (maximum annual sum $300). On or before the last day of December each year (each year a new "class" is formed, maturing in five years) for a period of five years, the company pays into the investment fund a sum equal to one-half of the net payments made by employees into the savings fund. The sums in the investment fund are invested preferably in the common stock of the corporation. Each employee's balance in the savings fund is credited with his share of the corporation's contributions, one-fifth each year. At the end of five years, the employee may withdraw in cash his credit in the savings fund and receive his proportion of securities and cash from the investment fund, or he may withdraw in cash the amount to his credit in both the savings and investment fund.

Shares subscribable, one for each $300 of annual wages. Bonuses are to be paid (credited if subscription not paid) on each share of stock retained by employees commencing one year from first payment with $1.00 a share and increasing $1.00 each year up to $5.00 a share for fifth year from first payment.

Payment, $1.00 a share monthly; rate may not be increased. Dividends on stock credited; six per cent charged on deferred payments. Payments may be suspended in discretion of company because of illness or temporary disability; subscription must be paid, however, within four years. Any amount unpaid at end of such time due and payable in cash.

Employee may cancel any time upon written request; payments with six per cent refunded. Company cancels if service terminates, or if payments are discontinued without consent for three consecutive months; payments with six per cent refunded. In case of death beneficiary must notify company within thirty days as to whether he elects to pay balance due in lump sum or in instalments as provided, or to receive balance in employee's name or market value of stock after deducting balance due on subscription; if company not notified it refunds balance to employee's credit. A pensioned employee may continue payments on subscription as prescribed.

The holdings among factory employees are not extensive but practically all of key men in company have acquired substantial amounts of stock.

Great Atlantic and Pacific Tea Company, The

First offering, June 1, 1925-July 15, 1925. Administration, three trustees appointed by company. Eligible, employees of one year's service for preferred stock; of five years' service for common or preferred, or both. Kinds of stock, preferred or non-voting common. Source, treasury. Price, preferred, $100; common, $45.

Subscription terms: first preferred only, by employees of from one to five years' service, not to exceed ten per cent of wages from June 1, 1924, to June 1, 1925; non-voting common or first preferred, or both, by employees of more than five years' service, not to exceed ten per cent of wages from June 1, 1924, to June 1, 1925.

Payment, $2.00 a share weekly for preferred; $1.00 a share weekly for common; payments may not be anticipated or increased. Dividends on stock credited; five per cent charged on deferred payments.

Trustees may extend or modify time for payments upon application because of accident, illness or other cause beyond employee's control.

Employee may cancel any time upon written notice to trustees; payments with five per cent refunded if at least twelve weekly instalments have been paid,—otherwise no interest refunded. Company cancels if service terminates, if payments not made (unless extension of time has been granted) or if interest in stock being paid for alienated; adjustment same as in case of cancellation by employee. In case of death, if beneficiary does not elect within thirty days to take over subscription agreement, trustee may refund payments with five per cent.

Great Northern Railway Company

Plan effective, November 1, 1923. Eligible, any employee including officers. Kind of stock, preferred. Source, bought in market. Price, market plus brokerage charges.

Shares subscribable, not more than twenty-five at one time. The company gives its service without charge to an employee desiring to purchase up to one hundred shares of stock for cash.

Payment, $5.00 a share to accompany order and at least $3.00 a share monthly thereafter; full payment may be made at any time. Dividends on stock credited; six per cent charged on deferred payments. Payments may be suspended not exceeding four months because of disability, leave or lay-off; if employee absent for longer period or if payments not resumed upon return to service, company may sell stock in market, refunding proceeds after deducting balance due, including interest and expenses of sale, and crediting dividends received.

Employee may cancel any time with approval of employing officer; stock sold in market and proceeds after deducting balance due, including interest and expenses of sale, and crediting dividends received, paid over to employee. If balance due not paid on demand when service terminates, company may sell stock in market refunding proceeds after deducting balance due and crediting dividends received. Similar adjustment in case of death.

Up to May 12, 1925, 1,354 employees had subscribed for 12,306 shares.

GREAT WESTERN SUGAR COMPANY, THE

Plan effective, September 1923. Eligible, employees of six months' service. Kind of stock, preferred. Source, bought in market. Price, market.

Shares subscribable, not exceeding twenty at one time.

Payment: $10 a share to accompany order and balance in twelve equal monthly instalments (or twenty-four semi-monthly); payments may be completed at any time. If insufficient amount to meet instalment due employee, it must be paid in cash. Dividends on stock credited; five per cent charged on deferred payments; upon payment of last instalment employee receives check for any difference due him.

Employee may cancel upon request although it is not so stated in plan. Company cancels if service terminates, if payments are discontinued for three consecutive months, or if contract for purchase of stock assigned; proceeds of sale of stock after deducting balance due, including five per cent interest, refunded. In case of death beneficiary may elect to complete payments as prescribed; if he does not so elect within thirty days, company refunds proceeds of sale of stock after deducting balance due and crediting dividends received. In case of total disability adjustment same as in case of death.

Up to May 19, 1925, 158, or about ten per cent of permanent employees, had purchased slightly over 1,200 shares of stock.

GRUEN WATCH COMPANY, THE

Plan effective, 1922. Eligible, any employee exclusive of officers and directors. Kind of stock, common of no par value. Source, treasury. Price, somewhat below price on Cincinnati Stock Exchange.

The number of shares which an employee may subscribe for depends on his position. Employee agrees to give company first option to repurchase stock in case he wants to sell, at substantially average market price for preceding month on Cincinnati Stock Exchange; the price not to be more, however, than five per cent over cost to employee plus dividends, if sold within year of date of issue, or ten per cent if sold at end of two years, or fifteen per cent if sold at end of three years.

Payment, $1.00 a share monthly. Dividends on stock credited; six per cent charged on deferred payments.

Company cancels if service terminates; payments with interest refunded. In case of death payments with interest refunded.

HARRIS TRUST AND SAVINGS BANK, CHICAGO

Plan effective, 1924. Trust department of bank acts as trustee. Kind of stock, capital. Source, Norman W. Harris estate. Price, $350.

Employees were notified of maximum amount of stock to which they might subscribe; it was optional with employee as to whether he would take his full allotment. If employee wants to sell his stock or ceases to be in employ of bank after stock paid for, he must offer it to trustee at market price; trustee has option of repurchase for ten days. If trustee does not buy within ten days, employee may sell stock as he wishes.

Payment, cash in full or at least $5.00 a share monthly. Dividends on stock credited; five per cent charged on deferred payments.

Employee may cancel any time; payments with five per cent refunded. Company cancels if service terminates or if payments discontinued without consent; payments with five per cent refunded. In case of death payments with five per cent refunded; if stock paid for beneficiary must offer it in writing to trustee, at price paid for it, for thirty days, after employee's death. If trustee does not buy within thirty days, stock may be sold as beneficiary desires.

HERCULES POWDER COMPANY

Recent offering, December 15, 1924-January 15, 1925. Administration, president and treasurer of company. Eligible, any employee. Kind of stock, preferred. Source, bought in market. Price, $105.

Subscription terms, employees earning $1,000 or less annually, two shares; $1,000 to $2,000, three shares; $2,000 to $4,000, four shares; $4,000 or over, five shares. Bonus of $4.00 a share per year paid (credited if subscription not paid) for five years in January of each year commencing with January 1926 on stock retained by employees.

Payment: at least $3.00 a share monthly but not more than twenty-five per cent of any one month's wages; payments must be completed within three years. Dividends on stock paid in cash to employee; five per cent charged on deferred payments. Payments may be suspended during lay-off.

Employee may cancel any time; payments, less five per cent on deferred payments to date of cancellation, refunded. Company cancels if service terminates, if employment not resumed when requested, or if payments discontinued for three months without consent of com-

pany; payments, less five per cent on deferred payments to date of cancellation, refunded. In case of death beneficiary receives payments, less five per cent on deferred payments, and bonuses for entire five-year period; if subscription paid in full and employee still has shares, beneficiary receives bonuses for that portion of five-year period remaining. Pensioner may complete his payments.

HOOD AND SONS, INC., H. P.

Eligible, any employee. Kind of stock, employees' preferred eight per cent. Source, treasury. Price, $10 (par).

An employee may not subscribe for more than $2,000 worth of stock; if his service terminates he must offer stock to company at par, within six months, or his dividends cease. If employee dies stock must be offered to company at twenty-five per cent above par.[1]

Payment, cash in full or weekly instalments. Every three months sums deducted from the employee's pay converted into stock certificates.

As of June 19, 1924, $300,000 of employees' preferred stock had been issued.

HOOD RUBBER COMPANY

In May 1924, common stock offered; in July 1925, an employees' special stock. Eligible, any employee may subscribe for employees' special stock, but sales of common are limited to selected employees.[2] Source, common stock bought in market; employees' special, treasury. Price, common, $50 usually; employees' special, $10.

Subscription terms: common, allotment is made on basis of amount applied for, employee giving note for it payable within fifty months to Hood Rubber Thrift trustees and executing a power of attorney in their favor also,—employee agrees not to buy securities of any other corporation so long as his indebtedness to trustees unpaid; employees' special, no limit stated.

Payment: common, note must be paid off at minimum rate of $1.00 a share monthly; employees' special, cash in full or instalments

[1] In practice the company has always accepted such an offer but it is under no obligation to do so.

[2] Preferred stock is sold also through the Thrift Club, part of whose funds are invested in the company's seven per cent preferred stock. As soon as a member has accumulated sufficient funds, either by deductions from pay or making deposits in person, he may authorize the issue of a share of preferred stock to him, the current market price of which is deducted from his account.

equivalent to at least price of one share ($10) monthly. Dividends on common paid in cash to employee; he is charged five or six per cent, depending upon business conditions, on his note.

If employee wishes to sell his common stock before he has paid off his note, he must offer it to trustees at purchase price. If employee defaults on either principal or interest payments on note it becomes immediately due; trustees may thereupon sell, after ten days' notice of time and place of sale mailed to employee, any or all of stock, refunding proceeds after deducting expenses of sale and balance due.

Two hundred and three employees hold 5,388 shares of preferred stock; 423 employees hold 12,389 shares of employees' special stock, and 558 employees hold 69,862 shares of common stock.

HOTELS STATLER COMPANY, INC.

Plan effective, 1920. Eligible, employees of six months' service. Kind of stock, preferred. Price, $100.

Subscription terms, employees earning less than $800 annually, five (minimum) shares; $800 to $1,200, ten shares; $1,200 to $2,000, fifteen shares; $2,000 or more, twenty shares. Subscriptions must be in multiples of five.

Payment, $1.00 a share monthly. Five per cent compounded annually credited on payments. At end of first year's participation in plan bonus of $3.00 a share credited; second year, $4.00 a share; third year, $5.00 a share; fourth year, $6.00 a share; and fifth year, $7.00 a share.

Employee may cancel any time; balance to employee's credit refunded including bonuses credited. Company cancels if service terminates or if any payment not made; balance to employee's credit refunded. In case of death balance in employee's account refunded.

ILLINOIS CENTRAL RAILROAD COMPANY

Present plan effective, April 27, 1925. Eligible, any employee. Kinds of stock, preferred or common. Source, bought in market. Price, market.

Shares subscribable, not to exceed ten at one time.

Payment, $5.00, or a multiple thereof, but not more than $15 a share monthly. Dividends on stock credited; five per cent charged on deferred payments.

If employee discontinues payments, shares sold in market and his

payments with five per cent refunded, plus any profit or less any loss between purchase and sale price of stock.

Since April 27, 1925, 451 employees have purchased 1,204 shares.

IMPERIAL OIL, LTD.

First "Co-operative Investment Trust" began March 1920 and terminated in April 1925; second "trust" effective from January 1, 1926, to December 31, 1928. Administration, five trustees, two of whom are employee-depositors in trust, selected by board of directors. Eligible, employees of one year's service; if participant in first "trust" fails to keep two-thirds of stock, he is disqualified from participation in second "trust" for one year. Kind of stock, common. Source, treasury. Price, fixed by directors on or before January 1 of each year at not less than book value on preceding June 30; price fixed governs all transactions during succeeding twelve months.

Subscription terms, employee may deposit, during any twelve consecutive months of three-year period of trust, not more than ten per cent of annual wages; concurrently company credits him with sum equal to fifty per cent of his deposits. Trustees invest these moneys in stock and dividends on stock purchased for each employee credited to him. Stock delivered after December 31, 1928; moneys accruing from withdrawals to be pro-rated among employees remaining in "trust" at that time. Payments may be omitted if sickness or other adverse circumstances beyond control of employee warrant such suspension in opinion of trustees.

Employee may cancel any time; payments with six per cent refunded; employee not eligible to participate again for one year. Company may cancel if service terminates or if deposits not made when due, refunding payments with six per cent. In case of death or retirement on pension, stock to employee's credit delivered together with cash for uninvested balance.

At termination of first "trust" April 14, 1925, 312,655 shares delivered to 3,221 employees; a large number of shares delivered to pensioners and beneficiaries of deceased employees not included in this figure.

INTERNATIONAL CEMENT CORPORATION

First offering, August 1, 1925. Administration, board of directors.

Eligible, any officer or employee. Kind of stock, common. Source, treasury. Price, $50.

Shares subscribable, not more than quotient of employee's annual wages divided by $50. Employee has privilege, within discretion of board of directors, to use any rights to subscribe to new stock which may pertain to stock covered by his subscription as though he were a stockholder of record.

Payment, $2.00 a share on October 1, 1925, and $2.00 a share on first day of each ensuing quarter; payments may not be anticipated, except that on and after October 1, 1929, payments may be completed. Dividends on stock credited; five per cent charged on deferred payments. No provision for suspension of payments but the corporation would probably permit in case of illness or lay-off.

Company cancels if service terminates, if instalments not paid when due, if any interest in stock allotted assigned or sold, or if employee becomes insolvent; payments with five per cent refunded. In case of death beneficiary receives such proportion of total shares allotted as employee's payments bear to total amount originally payable; cash adjustment at current market price made for fractional shares.

The offering of 20,000 shares was oversubscribed.

INTERNATIONAL HARVESTER COMPANY

First offering, 1909; present plan effective, July 1, 1924. Administration, treasurer of company. Eligible, any employee. Kind of stock, preferred; at any time prior to January 2, 1930, if employee prefers, he may apply all or any part of his balance to purchase in market of such other securities as he may select, subject to approval of treasurer, or to purchase of a house. Source, treasury. Price, $100 for stock issued under subscriptions prior to November 1, 1924; since then price has been announced from time to time.

Any employee may subscribe for an "I.H.C. Investment Certificate" for $100 or multiple thereof up to amount of his annual wages but not more than $3,000; as soon as employee's credits on certificate equal price of one share of preferred stock, certificate issued and delivered to him. Bonus of $2.00 a year paid in January for five successive years on each share of stock acquired prior to February 1 of preceding year and retained by employees.

Payment, equal monthly instalments of not less than $1.00 nor

more than twenty per cent of average monthly wages; payments must be completed by January 2, 1930. On January 2 of each year from 1925 to 1930 inclusive, company credits on certificate one per cent of wages paid employee during preceding year if he has earned more than $100 and is still in service,—the credit shall not be more than $30 nor less than $10 if employee in service continuously throughout year. Five per cent is credited on employee's payments and credits on investment certificate.

Payments may be suspended because of sickness, accident, shutdown, lack of work or special leave of absence; any portion of subscription not paid for by January 2, 1930, to be cancelled.

Employee may cancel any time; credit balance on investment certificate payable in cash within thirty days, except that if subscription cancelled within year company's contribution of one per cent forfeited; employee ineligible to subscribe again for one year. Company cancels if service terminates; adjustment same as in case of cancellation by employee. In case of death credit balance on investment certificate payable within thirty days. Employee retired on pension may complete contract in full or reduce amount thereof; during completion of contract he receives an annual credit equal to one per cent of wages or pension during preceding year; bonuses of $2.00 a share also paid on stock held by pensioned employees.

In May 1925, 30,619 employees had subscribed for $15,683,000 worth of preferred stock under present plan.

International Paper Company

First offering, October 31, 1925-January 1, 1926. Administration, board of directors. Eligible, any employee including minors. Kind of stock, preferred. Price, $90.

Shares subscribable, three if wages $30 a week or less, four if from $30 to $40 a week, five if from $40 to $50 a week, and so on. Bonuses to be paid on each share of stock retained by employees, commencing in January 1927, with $1.00 a share and increasing $1.00 each year up to $5.00 a share in January 1931; at termination of plan employee also to receive proportionate part of bonuses forfeited.

Payment, cash in full or minimum of $4.00 a share monthly; payments may be completed any time. Employee may say how stock shall be voted even while he is paying for it. Dividends on stock paid direct

to employee unless he requests to have them credited; five per cent charged on deferred payments, payable at rate of $4.00 monthly as soon as principal payments have been completed.

Employee may cancel any time; payments with five per cent less dividends and bonuses paid direct refunded. Company cancels if service terminates or if payments not made when due; payments with five per cent less dividends and bonuses paid direct refunded. In case of death or permanent disability, payments and bonuses for five-year period refunded; if subscription paid in full and shares still held, bonuses for each of five years not expired paid.

According to *The New York Times* of February 3, 1926, 2,000 employees subscribed for $720,000 (par value) worth of stock under above offer.

INTERTYPE CORPORATION

Plan effective, May 16, 1922; amended April 2, 1925. Questions that cannot be settled between subscriber and officer of corporation taken to works council which may make recommendation in matter to directors through president of corporation; decision of directors final. Eligible, employees who are citizens (or have their first papers) of six months' service. Kind of stock, preferred. Source, treasury. Price, $100 since April 1, 1925; prior to that $90; price was increased because of rise in market to a range of from $112 to $115.

Subscription of employee of less than five years' service may be equal to approximately one-fourth of annual wages if he pays by instalment,—if he pays cash, approximately one-half of his annual wages; employee of five years or more service may subscribe for approximately one-half of his annual wages if he pays by instalment, or amount equal to his annual wages if he pays cash. Special service allowance of one per cent of par value of stock subscribed paid employees of two years' but less than three years' service; two per cent to those of three years' but less than four years'; three per cent to those of four years' but less than five years'; four per cent to those of five years' or more; these allowances paid on stock so long as subscriber remains with company.

Stock may not be sold, borrowed upon or negotiated without written consent of corporation. Within thirty days of written notice, corporation will buy stock from employee at price paid for it, but corporation will not buy back more than five per cent of total employees' issue in

any one month. In case of emergency acceptable to corporation it will loan seventy-five per cent of par value of stock to employee, at current rate of interest.

Payment, cash in full or 50c a share weekly (or multiple thereof); additional payments may be made at any time. If subscription not paid three years from date of first payment, employee may receive back his payments, or receive shares to nearest amount covered by his payments and cash for balance, or pay balance due and receive shares subscribed for. Eight per cent interest on payments paid by check to employee quarterly; employee may have interest credited if he prefers. Payments may be suspended for two months or more because of sickness, slack work or lay-off.

Employee may cancel any time; payments refunded. If employee's service terminates, he may continue payments by arrangement with corporation, or pay balance in cash and receive the stock at once, or have his payments refunded. Company cancels if payments discontinued for more than two months without consent; payments with accrued interest refunded. In case of death beneficiary has same options as employee when service terminates.

As of April 1, 1925, 355 (approximately fifty per cent) employees had subscribed for 3,309 shares.

JONES AND LAUGHLIN STEEL CORPORATION

First offering, September 1923; current offering, January 1, 1925-January 20, 1925. Administration, board of directors. Eligible, employees of one year's service. Kind of stock, preferred. Source, treasury. Price, $109.

Shares subscribable, employees earning $1,199 or less annually, one share; $1,200 to $2,499, two shares; $2,500 to $3,999, three shares; $4,000 to $5,999, four shares; $6,000 or over, five shares. Commencing in January 1926 and ending in January 1930, a bonus of $5.00 a share paid (credited if subscription not paid) on each share of stock retained by employees; bonuses not forfeited when employee laid off if he returns to work when required.

Payment, minimum of $3.00 a share monthly but not more than one-fifth of any one month's wages. Dividends on stock credited; five per cent charged on deferred payments. Payments may be suspended during unemployment by reason of temporary closing of a plant or reduction in its operation.

Employee may cancel any time; payments, with dividends credited less interest charged on deferred payments, refunded,—in no case is refund to be less than payments with five per cent. Company cancels if service terminates, if employment not resumed when requested or if payments discontinued without consent for three consecutive months; adjustment same as in case of cancellation by employee. In case of death, permanent disability, or retirement on pension payments, together with dividends on stock subscribed for and $5.00 a share for current year in addition to bonuses for previous years, less five per cent on deferred payments, refunded; if stock paid for and still held, bonus of $5.00 a share for current year in addition to bonuses for previous years refunded. A pensioned employee may continue payments.

The 1925 offering of 6,000 shares was oversubscribed 3,969 shares; allotment was made in full.

KANSAS FLOUR MILLS COMPANY

Eligible, employees earning $3,000 or more annually. Kinds of stock, preferred and common. Source, treasury. Price, preferred, $100; common, $1.00.

Eligible employees receive their salaries partly in money and partly in stock. For nominal salary of $3,300, $2,900 cash and four shares each of preferred and common stock are paid; salary $3,600, $3,100 cash and five shares each of preferred and common; $4,200, $3,600 cash and six shares each of preferred and common; $4,500, $3,800 cash and seven shares each of preferred and common; $4,800, $4,000 cash and eight shares each of preferred and common; $5,700, $4,700 cash and ten shares each of preferred and common; $6,000, $4,900 cash and eleven shares each of preferred and common; $8,200, $6,400 cash and eighteen shares each of preferred and common; $9,000, $6,800 cash and twenty-two shares each of preferred and common; $10,000, $7,600 cash and twenty-four shares each of preferred and common. A trustee's certificate is given for the common and the employee receives the earnings so long as he is with the company. When his service terminates, he sells it back to the company for $1.00 a share. Par value of common is $100. Its book value in May 1925 was about $60.

KROGER GROCERY AND BAKING COMPANY, THE

First offering, September 10, 1925-October 6, 1925. Treasurer of company is trustee. Eligible, any employee except members of board of directors. Kind of stock, common. Source, treasury. Price, $95.

Maximum subscription, such shares as fifteen per cent of employee's monthly wages will pay for at rate of $1.35 a share monthly. Stock dividends held and issued pro rata to each employee if he completes his contract.

Payment, $1.35 a share with application, and $1.35 a share monthly thereafter; payments may not be anticipated; it is calculated that subscription will be paid in six years. Dividends on stock credited; if extra or increased dividends declared monthly payments to be reduced. Five per cent charged on deferred payments.

Employee may cancel any time upon written notice to trustee; payments with five per cent refunded. Company cancels if service terminates; payments with five per cent refunded. Company may cancel if payments not made, refunding payments with five per cent. In case of death beneficiary may complete payments or have payments with five per cent refunded.

Forty-nine per cent of the employees subscribed for an average of seven shares.

LAURENTIDE COMPANY, LTD.

Plan effective, June 1923. Administrative committee of five members elected by Laurentide Works Council. Eligible, employees of one year's service earning less than $5,000. Kind of stock, common. Source, bought in market. Price, $5.00 a share less than company pays but not more than $90.

Employees earning $800 or less may subscribe for one share; $800 to $1,199, two shares; $1,200 to $1,499, three shares; $1,500 to $1,799, four shares; $1,800 to $2,099, five shares; $2,100 to $2,399, six shares; $2,400 to $5,000, seven shares. On January 1 of each year, for five years following subscription, company pays (credits until payments completed) bonus depending on length of time employee has been in service, on each share retained by employee.

Payment, at least $1.00 a share every two weeks but not more than twenty per cent of wages. Dividends on stock credited; six per cent charged on deferred payments. Payments may be discontinued if ad-

ministrative committee approves, because of sickness, accident or death.

Employee may cancel any time upon written notice; payments with six per cent refunded. Company cancels if service terminates; payments with six per cent refunded.

LEHIGH VALLEY RAILROAD COMPANY

Plan effective, 1920. Eligible, any employee. Kind of stock, common. Source, bought in market. Price, market.

Shares subscribable, one, two, three, four, five, ten or twenty.

Payment, $5.00 a share monthly or multiple thereof. Interest at dividend rate credited on payments.

Employee may cancel for good and sufficient reason; payments with interest refunded. If employee's service terminates, he may pay balance due or have his payments with interest refunded.

As of March 31, 1925, 2,111 employees had subscribed for 10,599 shares.

LONG-BELL LUMBER COMPANY, THE

First offering, April 1, 1925-April 18, 1925. Administration, seven trustees appointed by board of directors. Eligible, any employee. Kind of stock, Class A common of Long-Bell Lumber Corporation (no par value). Source, bought in market. Price, $49.86.

Shares subscribable, one for each $200 of wages received in 1924 by employees earning less than $3,000 a year; one for each $120 by those earning between $3,000 and $6,000, and one share for each $100 by those earning more than $6,000. Bonuses to be paid on each share of stock retained by employees, commencing in May 1926 with 50c a share and increasing 50c each year up to $2.50 a share in May 1930. Stock not delivered before January 1, 1926, even though payments completed.

Payment, at least $1.25 a share monthly but not more than twenty-five per cent of estimated wages. Payments may be increased or decreased and additional cash payments may be made at any time. Dividends on stock credited; six per cent charged on deferred payments. Payments may be suspended not exceeding three months (or such additional period as trustees may fix) by reason of temporary disability or lay-off.

Employee may cancel any time upon written notice to trustees who

may, within thirty days, deliver shares which employee's credits will pay for together with cash for any remaining balance and six per cent interest, or refund payments with six per cent, or permit employee to pay balance due. Company cancels if service terminates, if payments discontinued for more than three months without consent of trustees, or if interest in subscription alienated without written assent of trustees; trustees have same option as in case of cancellation by employee. In case of death or permanent disability beneficiary or employee has option, to be exercised by written notice to trustees within thirty days, of completing payments if satisfactory arrangements can be made, or of receiving stock fully paid for together with cash for remaining balance and six per cent interest thereon, or of having refunded payments with six per cent.

Subscriptions were received for 29,406 shares.

LOOSE-WILES BISCUIT COMPANY

First offering, July 15, 1920. Administration, a trustee. Eligible, any employee. Kind of stock, preferred. Source, bought in market. Price, $100. If trustee acquires stock for less than $100 difference between price paid and $100 to be refunded at time of final payment; if more than $100 paid, employee to pay additional amount with final payment.

Shares subscribable, no limit stated. Payment, cash in full or initial minimum payment of $2.00 a share and not less than $2.00 weekly; six per cent on instalments paid in cash at time of final payment.

Employee may cancel any time; payments with six per cent refunded. If trustee does not consider cause for cancellation sufficient no interest allowed. Company cancels if employee does not pay balance due within thirty days of termination of service or if he discontinues payments for four consecutive weeks; payments with or without interest, in discretion of trustee, refunded. In case of death beneficiary may complete payments by lump sum or by instalments, or may have payments with six per cent refunded.

Approximately 2,000 shares owned by 500 employees; approximately 100 shares being paid for.

MASSACHUSETTS GAS COMPANIES

Eligible, any employee. Kinds of stock, preferred or common. Source, bought in market. Price, market.

Shares subscribable, no limit stated. Initial payment of $15 a share on preferred and $5.00 a share monthly thereafter; initial payment of $20 a share on common and $5.00 a share monthly thereafter. Dividends on stock credited; six per cent charged on deferred payments.

Employee may not dispose of his equity in stock except in case of necessity and with approval of treasurer. Any loss or gain on such sale of part-paid share is for account of employee.

Mead Pulp and Paper Company, The

First offering, January 1916. Eligible, employees of one year's service; if employee sells any stock after it is delivered to him he may not subscribe again and any subscription on which he is paying is cancelled. Kind of stock, preferred. Source, treasury. Price, $100.

Subscription terms, maximum an even amount up to the nearest $100 equal to but not exceeding preceding year's wages exclusive of overtime or extra compensation, but not more than $5,000 (par value) in any year.

Payment, initial cash payment of five per cent and a five-year note without interest for balance, to be paid off in equal monthly or weekly instalments over a period of 260 weeks; two and one-half per cent yearly credited on total subscription during payment period for employees of from five to ten years' service; five per cent for employees of ten or more years' service.[1] Company has option of suspending payments or proportionately reducing subscription in case of disability or shut-down of plant.

No provision for cancellation by employee. Company cancels if service terminates or stock is sold, refunding payments with six per cent, or equivalent in stock together with cash for odd balance; if employee fails to make payments company has option, after three days' notice, of refunding payments with six per cent, or of delivering stock for payments plus credits of dividends on stock actually delivered plus proportionate service premium, together with cash for odd balance. In case of death shares for total amount to employee's credit delivered together with cash for any sum less than share.

[1] For employees whose service with the company is less than five or less than ten years the service premium is based upon the actual number of years the employee will have been under either classification at the expiration of the five-year payment period, and the total amount of the premium applied toward the payment of the note is figured accordingly—part of two and one-half per cent or five per cent as the case may be.

On January 1, 1926, 87 employees owned $112,000 worth of stock. During 1926 this number will be increased to 109 employees owning $129,000 worth of stock.

NARRAGANSETT ELECTRIC LIGHTING COMPANY

First offering, 1917; latest offering, August 6, 1924-August 20, 1924; new offering contemplated about June 1, 1926. Eligible, employees of three months' service. Kind of stock, capital. Source, treasury. Price, $57.50.

Shares subscribable, one for each $300 of annual wages but not more than twelve. Employees retaining their stock are to receive a bonus of $1.00 a share a year for five years beginning May 1, 1927.

Payment, instalments of 50c a share. Dividends on stock credited. Any rights to subscribe to new stock sold in market and proceeds credited to employee. Stock delivered on or about August 15, 1926, if fully paid for; no certificate delivered prior to that date.

Employee may cancel upon approval by company of application giving reasons for withdrawal as to one or more, or all, shares; payments with five per cent refunded. Company cancels when service terminates, or if employee fails to make payments direct when he is not on payroll, or if he alienates any interest in stock being paid for; payments with five per cent refunded. In case of death payments with five per cent refunded.

As of March 23, 1926, sixty per cent of employees owned two per cent of outstanding capital stock.

NASH COMPANY, INC., THE A.

In 1919 the capital of this company was $60,000, five-sixths of which was owned by Mr. Nash. Early in 1920 a profit sharing plan was adopted under which, in July 1920, each employee of six months' service was entitled to $91.80. To provide more capital employees were allowed to buy a share of stock with this dividend plus $8.20. Those who bought stock received, during next four years, in addition to eight per cent cash annually, stock dividends of 200 per cent, 100 per cent and 100 per cent.

The second 100 per cent dividend was declared in 1924. At that time Mr. Nash owned $600,000 and the employees over $300,000 of stock. Mr. Nash turned over his stock dividend to employees on the following terms:

An employee owning no stock but buying two shares received two additional shares gratis; an employee owning one share and buying another likewise received two additional shares. The voting rights of both the shares bought and those given were reserved by Mr. Nash for five years. The stock may not be sold or pledged without Mr. Nash's consent during this period. Thereafter it belongs to the employees unconditionally. The cash dividends are paid directly to the employees during the five-year period.

In May 1925, the employees owned practically sixty per cent of the stock of the company.

National Biscuit Company

First offering of preferred, February 1901; of common, October 1924. Eligible, any employee. Kinds of stock, preferred or common. Source, bought in market. Price, preferred, $124; common, $68; prices are announced from time to time by special circular.

Subscription terms, from one to five shares of preferred or common may be applied for; second application accepted after first one has been paid and so on indefinitely.

Payment, $5.00, or multiple thereof, to accompany application for preferred and instalments of $5.00, or multiple thereof, thereafter; $2.00 a share to accompany application for common and instalments of $5.00 a share, or multiple thereof, thereafter. Four per cent credited on payments; employee also receives when he completes payment dividends accruing on stock between time of purchase and date of transfer to him, less four per cent on cost of stock.

Employee may cancel any time; payments with accrued interest refunded. If employee's service terminates he may pay balance due, or receive refund of payments with accrued interest. Company may cancel if employee fails to make a payment for six consecutive months or to complete payments within two years, refunding payments with accrued interest.

As of July 1, 1925, applications for 12,877 shares of common stock had been received.

National City Bank of New York, The

First offering, December 23, 1924-January 10, 1925. Administration, three trustees. Eligible, any employee on staff before January 1, 1925. Kind of stock, capital. Source, some large shareholders agreed to sell

their rights to subscribe for new stock substantially below market value when the capital was increased from 400,000 to 500,000 shares. Net cost to employee, $275.

Maximum shares subscribable by employees earning less than $2,000 annually, one; from $2,000 to $3,000, two; $3,000 to $4,000, three; $4,000 to $5,000, four; $5,000 to $5,999, five; $6,000 or over, six; junior officers, irrespective of salaries, ten shares. Employees, whose salary or official status in February 1926 entitled them to more shares than original subscription, were permitted to subscribe for additional shares on condition that they reimburse trustees for payments in arrears on such shares.

Payment, $5.75 a share monthly for forty-seven months and $4.75 a share for the forty-eighth month in case of employees receiving less than $2,000 a year; $11.50 a share monthly for twenty-three months and $10.50 a share for the twenty-fourth month in case of employees receiving over $2,000 a year. In February 1926, employees paying under four-year schedule were permitted to pay an amount sufficient to cover payments which would have been paid under two-year schedule and to make their monthly payments thereafter at two-year schedule rate, thus enabling them to complete their payments in January 1927. Dividends on stock paid in cash to employee.

Bank cancels if service terminates or if payments not made while on leave of absence; payments with six per cent refunded. In case of death payments with six per cent refunded.

Eighty-seven per cent of total staff subscribed for approximately 9,500 shares.

National Machinery Company, The

Plan effective from February 1, 1921, until such time as 2,500 shares of preferred and 5,000 shares of common stock subscribed for; company opens subscription list to employees once a year. Eligible, employees of two years' service; if employee sells or transfers stock acquired under plan ineligible to subscribe again. Kinds of stock, preferred 7.2 per cent; common Class A non-voting. Source, treasury. Price, preferred, $100; common, two prices announced by board of directors at first of each year: instalment price or nominal price at which it is sold to employees, and value or purchase price to be paid if employee's service terminates and he wishes to keep stock.

Subscription terms, blocks of one share of preferred and two shares of common stock, or some multiple thereof.

Payment, cash in full or instalments over not more than two years. After payments have been completed, at end of each year's service thereafter, company credits employee with ten per cent of unpaid balance of *value* price of common stock; thus at end of ten years common stock to be delivered to employee. Dividends on common credited; every other monthly dividend on preferred retained by company as interest. Payments may be suspended during illness or unemployment.

Company cancels if service terminates; payments refunded. In case of death beneficiary has option of completing payments (in which case the ten per cent yearly allowance on common stock credited at once) or of receiving refund of payments. Pensioned employees may complete payments.

NEW YORK CENTRAL RAILROAD COMPANY

Current offering, January 7, 1925. Administration, president of company. Eligible, any employee. Kind of stock, capital. Price, $110.

Maximum shares subscribable, one for each $200 of annual wages based on average earnings for three months preceding January 1925. Payment, not less than $5.00 a share or more than $15 a share monthly; dividends on stock credited; four per cent charged on deferred payments. Payments may be suspended not exceeding three months, upon written notice to employing officer, if employee's name taken off payroll because of leave of absence, disability or lay-off.

Employee may cancel at any time upon written notice; payments with four per cent refunded. Company cancels if service terminates, if rights under subscription pledged or assigned, if payments discontinued for three consecutive months without consent; payments with four per cent refunded. In case of death or permanent disability payments may be completed or payments with six per cent refunded.

Only 35,000 shares were offered but subscriptions for 96,900 were received; 68,747 shares were allotted. Only subscriptions for one and two shares were allotted in full.

NIAGARA FALLS POWER COMPANY, THE

Two plans now in effect designated respectively as "1920 Plan" and "1924 Plan." Administration, five trustees, at least three of whom are

subscribing employees of not less than five years' continuous service who are elected annually by majority vote of subscribing employees, each employee having one vote for each share of stock whether paid for or not. Eligible: 1920 plan, employees of six months' service; 1924 plan, employees of five years' service; directors not eligible under either plan. Kind of stock, common. Source, treasury. Price, $25.

Subscription terms: 1920 plan, shares equal to not more than one-half of annual wages exclusive of over-time pay; 1924 plan, additional shares equal to not more than one-half of annual wages. All subscriptions by one employee, under both plans, may not aggregate more than $10,000.

Payment, one per cent of par value of each share weekly, under either plan; four per cent compounded quarterly on payments credited. Additional credits: 1920 plan, six per cent quarterly on sum equal to total par value of subscription; if dividends over four per cent paid on common between date of subscription and completion of payments, the additional percentage is also credited on total par value of subscription; 1924 plan, if dividends over four per cent paid on common, subscription credited as in 1920 plan; one per cent a year of par value of each share multiplied by number of years of employee's service, but not more than six per cent, credited also. Payments may be suspended upon recommendation of trustees, executive committee or officer of company; unless executive committee determines otherwise additional credits forfeited during period of suspension; if delay is for more than a year, four per cent interest credits may also be discontinued upon recommendation of trustees.

Employee may cancel any time; payments with four per cent compounded quarterly, and such proportionate amount of additional credits as executive committee may determine, refunded. Company cancels if service terminates, if any interest in stock subscription is alienated, or if payments are discontinued for more than one year; adjustment same as in case of cancellation by employee.

As of July 15, 1925, 703 employees owned 42,807 shares.

Peet Brothers Company

Plan effective, October 1, 1923-September 30, 1928. Administration, executive committee of company. Eligible, employees of one year's service. Kind of stock, common. Source, bought in market. Price, $45 in

beginning; since October 1, 1924, average market price for six months prior to October 1 of each year during ensuing year.

Employee authorizes deduction of sum not in excess of twenty per cent of current wages each pay day, to be placed to his credit; concurrently company credits sum equal to twenty-five per cent of employee's deposit; one or more shares of stock purchased as soon as employee's credits sufficient; stock issued in name of trustee who holds title and possesses all voting and other rights for period of plan. Dividends on stock credited to employee. Deductions may be omitted on any pay day when wages due are fifty per cent or less of average pay by reason of sickness or accident, leave of absence or lay-off.

Employee may cancel any time; company has option of refunding payments with six per cent or equivalent in stock reckoned at average cost of stock during time employee was in plan; employee ineligible to participate for one year. Company cancels if service terminates; has same option as in the case of cancellation by employee. In case of death, retirement on pension, total disability, or discharge for no fault of employee, stock equal to employee's deposits, plus twenty-five per cent and dividends credited less employee's share of taxes and expenses, delivered together with cash for odd balance.

Pennsylvania Railroad Company, The

Employees may purchase securities of company through two organizations: the Pennsylvania Railroad Employes' Provident and Loan Association and The Mutual Beneficial Association of Pennsylvania Railroad Employes, Inc., on practically same terms. The chief variations in purchase through the Mutual Beneficial Association are listed in footnotes.

The Provident and Loan Association organized on July 1, 1923.[1] Administration, board of trustees consisting of nineteen officers and eighteen employees. Eligible: members of Provident and Loan Association,—any officer or employee in active service may apply for membership.[2] Any of principal securities of various companies comprising Pennsylvania Railroad System bought in market.[3] Price, market.

Shares subscribable, no limit stated.

[1] Since January 1, 1920, employees have been able to subscribe for stock through the Mutual Beneficial Association.

[2] Any employee may buy through Mutual Beneficial Association whether he is a member or not.

[3] Only Pennsylvania Railroad stock through Mutual Beneficial Association.

Payment, cash or an order on savings account in full, or not less than $2.50 a share monthly (or five per cent of cost of any other security) but not more than twenty-five per cent of wages. Dividends on securities purchased credited; six per cent charged on deferred payments.

Employees may cancel upon ten days' notice; proceeds of sale of securities in market after deducting balance due, including interest and broker's commission, refunded. Association may sell in market any or all of securities if employee fails to make payments for three consecutive months; proceeds above amount due, including interest and broker's commission, credited to employee's savings account or refunded.[1]

On January 1, 1926, 88,885 shares of Pennsylvania stock held by 19,062 employees. This number represents only the purchases through the two organizations mentioned.

Philadelphia Rapid Transit Company

Plan effective, 1922. Administration, trustees consisting of president, vice-president and secretary of Cooperative Welfare Association and vice-president, finance, of company. Eligible, any employee not classified as temporary. Kind of stock, common.[2] Source, bought in market. Price, market.

Employees authorize that ten per cent of their basic wage (77c an hour in 1925)[3] be deposited in the cooperative wage dividend fund, the funds of which are used to purchase stock.[4] Originally the ten per cent was not credited to employees in the fund until the dividend had

[1] Mutual Beneficial Association asks employee if he wants his stock sold if he omits one payment for reason other than illness or lay-off; in case of illness or lay-off stock carried for three months and then sold if necessary.

[2] In 1926 the employee trustees recommended that one-half of the wage fund be used to purchase common stock as formerly, and that the other half be invested in the company's seven per cent preferred.

[3] Changed to 73½ cents an hour in 1926. Beginning with January 1, 1926, wages are to be determined by a general committee made up equally of employees, who are elected by the employees, and representatives appointed by the management, at the first of each year. If there is not a variation of more than five per cent in the market basket index (consisting of 184 articles the prices of which are checked from time to time in the Philadelphia markets) from the time of the last previous adjustment, wages remain the same. An adjustment is not made more than once in any one calendar year unless the market basket index varies ten points or more from the index fixed at the first of the year.

[4] Employees were given the opportunity to buy shares of a new preferred stock issue early in 1926 on the same basis as patrons of the company. Prior to that they had no opportunity for individual investment.

been earned and paid on common stock; in 1925 it was made payable before instead of after the earnings of the company's fixed charges and dividends. Each employee receives a non-transferrable participation certificate equal to deposits to his credit in fund. Dividends are paid direct to employees. Stock is not delivered until an employee's service terminates and then he may receive cash instead of securities.

Cooperative wage dividends paid in 1922 totalled $1,650,000; in 1923, $1,850,000; in 1924, $1,873,000. One-third of the common stock is now owned by employees who vote it through their trustees.

Pilgrim Steam Laundry Company, The

Plan effective, September 26, 1921. Eligible, employees of three months' service. Kind of stock, capital. Source, treasury. Price, fixed by board of directors so that it is kept on an eight per cent basis.

Shares subscribable, no limit stated. If employee leaves company his shares must be offered for purchase by company.

Payment, cash in full or instalments; no dividends credited and no interest charged on deferred payments.

Company cancels if service terminates.

About seventy per cent of eligible employees are stockholders.

Pittsburgh Coal Company

First offering, December 1900. Administration, Pittsburgh Coal Company Employees' Association. Eligible, any employee. Kinds of stock, preferred or common. Source, bought in market. Price, market.

Maximum subscription in any year, shares equal at minimum rate of payment to not more than twenty-five per cent of annual wages.

Payment, cash in full or at least $1.00 a share monthly; payments must be completed within five years. Payments may be suspended for three months or more by reason of illness or lay-off.

Employee may cancel any time; payments with five per cent refunded. Association cancels if service terminates or if payments are discontinued for more than three months; it has option of permitting employee to complete payments under such conditions as it may impose, or of delivering stock acquired for employee together with cash for credit balance, or of refunding payments with five per cent. In case of death beneficiary may complete payments, or receive a refund of payments with five per cent.

As of January 1, 1925, 30,319 shares were owned and 14,947 shares were being paid for by employees.

PROCTER AND GAMBLE COMPANY, THE

First plan, 1903; current plan, July 1923. Administration, trustees appointed by board of directors. Eligible, employees of six months' service whose wages are not more than $2,000 a year,[1] except salesmen and travelling representatives.[2] Kind of stock, common. Source, bought in market. Price, market.

Subscription terms, such shares as are approximately equal to employee's annual wages; additional shares may be subscribed when payments on first subscription completed but guarantee against decline in price applies only to shares of original subscription. At end of each quarter after a year's participation in plan, a non-negotiable receipt given employee for stock upon which payments have been completed; such stock is issued in employee's name and he receives dividends on it.

Minimum payment five per cent of employee's wages monthly; "profit sharing dividends" credited (paid in cash after stock paid for) quarterly on wages received, at rates increasing according to years of participation in plan beginning with ten per cent for first year of participation and increasing one per cent for each additional year up to twenty per cent for eleven years or more.

Employee may cancel any time upon written notice; shares issued in employee's name together with cash for odd balance delivered within ninety days, except that if employee's participation less than one year payments with six per cent refunded; employee not eligible to participate again for one year and then only with consent of trustees and as new subscriber. Company cancels if service terminates; adjustment same as if employee cancels. If market price at termination of service is less than cost of stock to employee, employee's payments refunded to him upon written request. Company also cancels if employee fails to notify treasurer of any increase in salary in excess of $2,000, or of transfer to travelling forces of company, or if he sells stock without consent of trustees so that his holdings are reduced

[1] If an employee's salary is increased beyond $2,000 he may complete his payments by giving written notice to treasurer, within ten days of his advancement, and his profit sharing dividends will continue. Otherwise, his account will be closed and settlement made.

[2] There is another plan for salesmen and travelling representatives which applies also to employees earning more than $2,000.

below his original subscription. In case of death or retirement on pension, shares issued in name of employee delivered within ninety days together with cash for odd balance.

As of March 1925, 22,000 shares were owned by employees and 14,000 shares were still being paid for.

Pullman Company, The

First offering, December 28, 1925-January 31, 1926. Eligible, employees of three months' service. Kind of stock, capital. Source, bought in market. Price, $140.

Shares subscribable, one for each $500 of annual wages based on average earnings for three months preceding January 1, 1926, but not more than twenty shares.

Payment, $3.00 a share monthly; payments may not be anticipated. Dividends on stock credited; four per cent charged on deferred payments. Payments may be suspended not exceeding three months upon written request, by reason of temporary disability, lay-off or leave of absence.

Employee may cancel any time upon written request; payments with four per cent refunded. Company cancels if service terminates, if employee fails to resume work when requested, or if payments are discontinued without consent for three months; payments with four per cent refunded. In case of death or retirement on pension, payments may be completed upon written request; otherwise payments with four per cent refunded.

Pure Oil Company, The

First offering, March 1921; current plan effective, April 1, 1926-April 1, 1930. Up to April 1, 1927, all employees of six months' service eligible. Kind of stock, preferred. Price, $100.

Not less than five per cent nor more than twenty-five per cent of employee's aggregate four years' salary may be deposited in fund. Company has option of delivering stock equal to employee's payments and twenty-five per cent in cash in addition, or of repaying entire amount in cash (including the additional twenty-five per cent premium).

Payment, ninety-six equal semi-monthly payments (or forty-eight monthly payments). Eight per cent interest allowed on total sub-

scription and six per cent charged on deferred payments,—the difference is paid quarterly by check direct to employee.

Employee may cancel any time; payments with interest refunded. Company cancels if service terminates; payment with interest refunded. In case of death beneficiary may continue payments thus entitling him to all rights of employee, or receive payments with interest.

Over seventy-seven per cent (4,201) of the eligible employees subscribed for $4,336,500 worth of stock.

READING COMPANY

Plan effective, February 28, 1924. Eligible, any employee. Kinds of stock, first or second preferred or common. Any or all classes of stock may be ordered through one purchase. Source, bought in market. Price, market.

Shares subscribable, cost of total number carried at one time not to exceed twenty per cent of employee's annual wages.

Payment: $3.00 a share to accompany order for preferred and at least $2.00 a share monthly thereafter; $5.00 a share to accompany order for common and at least $3.00 a share monthly thereafter; payments may be completed any time. Dividends on stock credited; five per cent charged on deferred payments. Payments may be suspended not exceeding four months because of disability, leave of absence or lay-off.

Employee may cancel any time upon notice to employing officer; company sells, at current market price, sufficient shares to cover balance due, including interest and brokerage charges, and then remits to employee any shares or cash remaining to his credit. If service terminates or employee dies, unpaid balance becomes due at option of company; if not paid, company proceeds as in case of cancellation by employee.

On December 31, 1924, 567 employees had subscribed for 5,693 shares of three classes of stock.

ROME WIRE COMPANY

First offering, February 21, 1920, for five-year period; renewed in 1925 for an additional five years. Administration, board of directors. Eligible, any employee. Kind of stock, preferred. Price, $100.

Shares subscribable, not more than twenty. Bonus of $3.00 a share per year paid (credited if subscription not paid) for five years on

shares retained by employees. After stock has been delivered to employee company agrees to repurchase stock at $100 a share upon thirty days' notice.

Payment, cash in full or $4.00 a share monthly. Dividends on stock credited; five per cent charged on deferred payments. Payments may be suspended during lay-off.

Employee may cancel any time upon written request; payments with six per cent refunded. Company cancels if service terminates, if employee fails to resume employment when requested, or if payments are discontinued for three months without consent; payments with six per cent refunded. In case of death or permanent disability payments, plus dividends paid on stock subscribed for and bonuses for entire five-year period less five per cent on deferred payments, refunded.

Russell-Miller Milling Company

Offering, February 1, 1923-March 1, 1923. Administration, executive committee of company. Eligible, any employee not earning more than $3,600 a year. Kind of stock, common. Source, treasury supplemented by buying in market if necessary. Price, $175.

Subscription terms, employees earning annual salaries of $1,200 or less may subscribe for two shares; $1,200 to $1,500, three shares; $1,500 to $2,000, four shares; $2,000 to $2,800, five shares; $2,800 to $3,600, six shares. For five years, commencing with December 1923, a bonus of $5.00 a share per year paid (credited until stock paid for) on stock retained by employee; forfeited bonuses accrue in fund credited with five per cent interest, and at end of five-year period are distributed to employees whom company finds deserving.

Payment, $2.00 or $3.00 a share monthly; payments must be completed within six years. Dividends on stock credited; five per cent charged on deferred payments. Payments may be suspended during lay-off.

Employee may cancel at any time; payments with five per cent refunded. Company cancels if service terminates or if payments discontinued for three months without consent; payments with five per cent refunded. In case of death balance in employee's account, together with $5.00 a share for each of the five years not expired and a pro rata share of special fund arising from forfeitures, refunded. Company has option of refunding payments with five per cent or of

extending time to enable employee to complete subscription in case of permanent disability.

"A large proportion, probably 85 per cent of . . . stock, both Common and Preferred, is owned by the officers and other employes of the Company, but . . . only a comparatively small proportion of such stock was acquired under the stock subscription plan." As of December 7, 1925, about 600 employees had acquired or were paying for 5,000 shares of common under the stock subscription plan.

SIMMONS COMPANY

Offering, December 16, 1924-January 3, 1925. Administration, executive committee of company. Eligible, any employee. Kind of stock, common. Price, $32.50.

Subscription terms, employees receiving less than $1,500 may subscribe for fifteen shares; $1,501 to $2,000, twenty shares; $2,001 to $2,500, twenty-five shares; $2,501 to $3,000, thirty shares; $3,001 to $3,500, forty-two shares; $3,501 to $4,000, forty-eight shares; $4,001 to $4,500, fifty-four shares; $4,501 to $5,000, sixty shares; $5,001 to $6,000, seventy-two shares; $6,001 to $7,000, 105 shares; $7,001 to $8,000, 120 shares; $8,001 to $9,000, 135 shares; $9,001 to $10,000, 150 shares. Bonus of $1.00 a share per year credited (paid in cash if payment of subscription completed) for four years. Stock dividends delivered with stock subscribed for after payments have been completed.

Payment, 75c a share monthly; payments must be completed within four years. Dividends on stock credited; five per cent charged on deferred payments. Payments may be suspended during lay-off.

Employee may cancel any time; payments refunded. Company cancels if service terminates, if employment not resumed when requested, if payments discontinued for three months without consent, or if rights under contract assigned without written consent; payments refunded. In case of death or permanent disability payments, together with dividends paid on stock subscribed for and bonuses to and including year of employee's death or disability, refunded.

SIMMS PETROLEUM COMPANY

Plan effective, June 1, 1925-May 31, 1930. Administration, three trustees appointed by board of directors. Eligible, employees of one year's service; officers of company included except chairman of board and

president. Kind of stock, common. Source, treasury or market if price is lower than that fixed by directors. Price fixed semi-annually by directors for ensuing six months at not more than average market price for three months preceding date upon which fixed.

Subscription terms, not more than twenty per cent of employee's current wages each pay day to be credited to him in fund "A"; concurrently company credits in fund "B" an amount equal to fifty per cent of employee's deposit. With these funds trustees purchase stock for which they exercise voting and other rights until end of five-year period when it is delivered in proportion to employee's payments to fund "A." Dividends on stock or interest earned on money credited to fund "B"; all expenses paid out of fund "B." Deductions may be omitted on any pay day when wages due employee are fifty per cent or less of his average pay because of sickness, accident, absence or lay-off, unless employee requests otherwise.

Employee may cancel any time upon written notice, or by stoppage of deductions from pay; company has option of refunding payments with six per cent or equivalent in stock reckoned at average cost to trustees; employee ineligible to participate again for one year. Company cancels if service terminates; trustees have same option as in case of cancellation by employee. In case of death or total disability full amount of employee's proportionate part of stock and/or cash in funds "A" and "B" delivered.

Southern California Edison Company

Eligible, any employee. Kind of stock, common. Price, somewhat less than market.

Shares subscribable, such number as are equal at par ($100) value to ten times employee's monthly salary; employees with long service record may upon recommendation subscribe for twenty-five per cent more; no subscription to be paid for by instalment may be less than two shares.[1] Stock not delivered until employee's subscriptions under all offerings paid in full.

Payment, seven and one-half per cent of employee's wages monthly, or seventy-five cents a share if employee is buying more than ten

[1] An employee may, however, subscribe for one or more shares, at the price fixed for employees, on a public contract form which provides for an initial payment of $5.00 a share and $5.00 a month thereafter. If he wishes to cancel such a contract, a request, with reason therefor, must be sent to the investment department of the company.

times his monthly salary. Dividends on stock credited; six per cent charged on deferred payments. Payments may be suspended if employee's application for loan to meet an emergency accepted by company.

Employee may not cancel, but in case of emergency he may apply, in writing, for a loan, ten per cent of which if granted must be repaid monthly; six per cent interest charged. Company cancels if service terminates; shares fully paid for delivered to employee,—he may complete payments for fractional share or receive amount paid on such share. In case of death, payments may be completed within thirty days of employee's death or shares paid for delivered. Pensioned employee may complete payments in accordance with terms of contract or receive shares paid for.

A total of 86,115 shares have been subscribed for.

Southern Pacific Company

Plan effective, February 1, 1922. Eligible, any employee. Kind of stock, capital. Source, bought in market. Price, market.

Shares subscribable, not more than fifteen at one time.

Payment, $5.00 a share, or multiple thereof, monthly; payments may be completed at any time. Dividends on stock credited; six per cent charged on deferred payments. Payments may be suspended not exceeding three months, except upon recommendation of head of department for longer suspension, because of sickness, death, or some other condition beyond employee's control.

Company cancels if service terminates and delivers shares for employee's payments plus dividends credited less interest charged, together with cash for odd balance; if three successive instalments are not paid, unless further suspension has been authorized, company sells stock in market, refunding proceeds after deducting balance due. In case of death beneficiary may complete payments in monthly instalments or in lump sum, or receive shares for employee's payments plus dividends credited less interest charged, together with cash for odd balance. Employee has similar options in case of permanent disability.

Standard Oil Company of California

Plan effective, June 1, 1921. Administration, committee of three appointed by directors. Eligible, employees of one year's service. Kind of

stock, common. Source, treasury. Price, fixed quarterly by directors at substantially market but in no case below par.

Subscription terms, not more than twenty per cent of employee's monthly wages credited to him; concurrently company credited amount equal to fifty per cent of his deposits. Company issued stock for these credits to trustees, debiting employee; dividends on stock credited to employee. Stock delivered after May 31, 1926. Employee permitted to exercise rights to subscribe to new stock by paying additional sum necessary; otherwise rights were sold and proceeds credited to employee. Stock dividends issued to trustees and delivered with stock originally purchased. Suspension of payments was permitted because of illness or for other causes deemed sufficient by administrative committee.

Company cancelled if service terminated; it delivered shares already purchased for employee together with cash for odd balance, or refunded payments together with credits added by company, exclusive of dividends or proceeds from sale of rights to subscribe for new stock. In case of death or retirement on pension shares purchased for employee delivered together with cash for odd balance.

Owing to consolidation with the Pacific Oil Company, the above plan was discontinued as of January 1, 1926. At that time the trustees held 494,516 shares (representing $26,499,673) for 12,508, or 85.77 per cent, of the eligible employees; these shares constituted 5.20 per cent of the total capital stock outstanding.

Standard Oil Company (Indiana)

First plan, April 1, 1921-March 31, 1926; present plan, April 1, 1926-March 31, 1929. Administration, three trustees appointed by directors. Eligible, employees of one year's service including officers and directors; employees, officers and directors of Midwest Refining Company and Dixie Oil Company of one year's service also included. If employee sells more than one-third of stock acquired under first plan, ineligible to participate for one year unless he shows good cause for having sold his stock. Kind of stock, common. Source, treasury. Price, fixed by directors as of March 31 of each year at substantially average market price during previous six months but not below par.

Subscription terms, not more than ten per cent of employee's wages each pay day to be credited to him; concurrently company credits an

amount equal to fifty per cent of his deposits. With these funds trustees purchase stock which is issued in their name and for which they exercise all voting and other rights until stock delivered after March 31, 1929. Dividends on stock credited to employee. Stock and moneys accruing from withdrawals inure to benefit of employees participating at termination.

Employee may cancel any time; trustees may refund payments with six per cent, or equivalent in stock to be reckoned at cost during period that employee made deposits; employee ineligible to participate for one year. Company cancels if employee quits or is discharged for cause, or if he fails to retain two-thirds of stock acquired under previous plan (unless relieved from this requirement) and trustees may refund payments with six per cent or equivalent in stock. If service terminates on account of total disability or discharge for no fault of employee, trustees deliver shares equal to payments by employee, plus fifty per cent and whatever dividends have been credited, less a proportionate share of any expense, together with cash for odd balance. In case of death or retirement on pension stock purchased for employee delivered together with cash for odd balance.

A total of 15,722 of 22,183 eligible employees or 70.87 per cent are participating in present plan.

STANDARD OIL COMPANY (NEW JERSEY)

First plan, December 30, 1920-December 30, 1925; present plan, January 1, 1926-December 31, 1928. Administration, three trustees appointed by directors. Eligible, employees of one year's service. If employee sells more than one-third of stock acquired under first plan ineligible to participate for one year; employees may not become participants for first time after June 30, 1928. Kind of stock, common. Source, treasury. Price, fixed by directors as of January 1 ($40 on January 1, 1926) and July 1 each year at not more than ten per cent below average market price for previous three months,—in no case below par.

Subscription terms, not more than ten per cent (in first plan the percentage was twenty) of employee's current wages each pay day to be credited to him; concurrently company credits an amount equal to fifty per cent of his deposits. With these funds trustees purchase stock which is issued in their names but is apportioned on their books to employees; stock and moneys accruing from withdrawals inure to

benefit of employees participating at end of three-year period when stock, together with any uninvested balance, delivered. Payments may be omitted on any pay day when wages due are fifty per cent or less of average pay because of sickness, accident, leave of absence or lay-off.

Employee may cancel any time; trustees may refund payments with six per cent, or equivalent in stock reckoned at cost of stock purchased for employee's account; employee ineligible to participate for one year. Company cancels if employee quits, or is discharged for cause, or fails to retain two-thirds of stock acquired under first plan; trustees have option of refunding payments with six per cent, or equivalent in common stock. If service terminates because of total disability or for no fault of employee's, employee receives full amount of stock and/or cash standing to his credit. In case of death or retirement on pension full amount of stock and/or cash delivered.

At maturity of first plan 884,002 shares of stock were delivered to 16,358 employees.

STANDARD OIL COMPANY OF NEW YORK

Plan effective November 1, 1923-October 31, 1928. Administration, three trustees appointed by directors. Eligible, employees of one year's service including officers and directors. Kind of stock, common. Source, treasury or may be bought in market if it can be obtained at less than par. Price fixed by directors quarterly at substantially average market price during previous quarter but at not less than par.

Subscription terms, not more than twenty per cent of employee's wages each pay day to be credited to him; concurrently company credits an amount equal to fifty per cent of his deposits. With these funds stock purchased which is issued to trustees. Employee may exercise rights to subscribe to new stock by paying necessary amount to trustees; any cash credit in account of employee at time may be applied in payment; additional stock held by trustees and delivered at termination of plan; if employee does not wish to buy new stock, rights are sold and proceeds credited to him. Cash dividends on stock credited; stock dividends delivered with stock purchased for employee at termination of plan.

Employee may cancel any time; payments with six per cent refunded; employee ineligible to participate for one year. Company refunds payments with six per cent if employee quits or is discharged

for cause; if service terminates through no fault of employee's, full amount of cash and stock standing to employee's credit refunded. In case of death or retirement on pension full amount of stock and cash standing to employee's credit delivered.

On October 1, 1925, trustees held 126,683 shares of stock for 7,069 employees.

Strathmore Paper Company

Plan effective July 1, 1920. Eligible, employees of six months' service. Kind of stock, employees' preferred, Class B, non-voting.[1] Source, treasury. Price, $10 (par).

Subscription terms, an employee's holdings of both Class A and Class B stock may not aggregate more than $2,500. In addition to regular dividends on stock, dividends based on periods of service to be paid at the rate of one per cent for from one to five years' service; two per cent for from five to ten years'; three per cent for from ten to fifteen years'; four per cent for from fifteen to twenty years' and five per cent for twenty years' and over. If employee's service terminates or if he wants to sell his stock, it must be offered to company at par; if they do not buy it within thirty days, it may be sold to any person. If service terminates because of death executor must offer stock to company which may redeem at $10.30 a share plus accumulated dividends. In case of illness, death or other emergency, company loans money, at reasonable rate, to employees.

Payment, cash in full or at least $1.00 a share weekly; seven per cent is credited on payments.

On December 29, 1925, 125 employees owned $202,850 worth of stock.

Studebaker Corporation, The

First offering, 1919; present plan effective January 1, 1925. Eligible, employees of one year's service; absence of thirty days or less, due to illness, vacation, suspension of operations or leave of absence not

[1] Under date of December 29, 1925, the company wrote that for all practical purposes, in the matter of dividends and security, Class A and Class B of employees' preferred were the same.

Common stock is also sold employees, who are expected to develop into executives and whose services are desired to be held permanently, at the option of the president or the board of directors.

regarded as interruptions of continuous service. Kind of stock, common. Source, bought in market. Price, market.

Maximum subscription in one year not more than twenty per cent of employee's annual wages or sum of $300.

Payment, ten per cent of purchase price within fifteen days of allotment of shares; balance in equal monthly instalments of three per cent of purchase price; payments may be anticipated. Dividends, either cash or stock, on stock credited; an additional credit of one-half the credit for cash dividends is allowed until payments completed as a special reward for continuous service; six per cent charged on deferred payments. No provision for suspension of payments but company permits because of illness or other satisfactory reason. Stock delivered thirty months from date of purchase if fully paid for, but not before that time even though it has been paid for.

Employee may cancel any time; payments with six per cent refunded; employee may not participate in next succeeding year's offering. Company cancels if service terminates or if payments are not made; payments with six per cent refunded. In case of death payments may be completed either in lump sum or by instalments, or payments with six per cent refunded; additional dividend not credited after employee's death.

Swift and Company

Two plans in effect: the employees' stock savings plan and the employees' stock investment plan.

EMPLOYEES' STOCK SAVINGS PLAN

Eligible, employees of six months' service. Kind of stock, common. Price, $100.

Subscription terms, employees receiving up to $20 weekly may subscribe for one share; $20 to $30, two shares; $30 to $40, three shares; $40 to $50, four shares; $50 and over, five shares.

Minimum payment $1.00 a share weekly; payments may be completed at any time; five per cent credited on partial payments when final payment is made.

Employee may cancel any time; payments with interest refunded. Company cancels if service terminates within six months of subscription; payments with interest refunded.

EMPLOYEES' STOCK INVESTMENT PLAN

Eligible, any employee. Kind of stock, common. Source, bought in market. Price, market.

Shares subscribable, from one to fifty depending on employee's wages.

Payment, an initial payment of not less than ten per cent and sufficient to reduce balance due to not more than $100 a share; note given for balance, together with stock certificate as collateral and a power of attorney to transfer; note to be paid off at rate of $1.00 a share weekly; payments may be completed at any time. Dividends on stock are paid to employee but he may have them credited on note; five per cent charged on note.

Approximately one-third of the company's stockholders are employees; they own about $20,000,000 (par value) of the company's stock out of a total issue of $150,000,000.

TERMINAL BARBER SHOPS, INC.

First offering, May 15, 1924-June 15, 1924. Eligible, employees of six months' service. Kind of stock, employees' seven per cent cumulative preferred. Source, treasury. Price, $100 until higher price fixed by board of directors.

Shares subscribable, no limit stated. Employees retaining stock for five years from date of payment in full receive a cash payment of $5.00 a year for each share of stock, or $25 a share for five-year period. At end of six years fund consisting of forfeitures of special benefits and bonuses distributed in discretion of directors on basis of number of shares then held by employees.

Stock may not be sold even after it is paid for to any person not an employee of company of at least six months' standing; if employee wants to sell to someone other than such employee, he must first offer stock in writing, for sixty days, to company at $100 and accrued dividends. In case of financial need due to illness or other misfortune, company makes loan to employee on his stock.

Payment, cash in full or $2.00 a share weekly. Special benefits: one year from date of payment employee paying cash for stock received $3.00 a share in addition to dividends, provided he was still an employee in good standing; upon completion of instalment payments, employee receives $5.00 on each share paid for, which is equivalent to ten per cent interest on instalments.

Employee may cancel any time upon written request; within sixty days payments as to each share in respect to which cancellation requested with six per cent refunded. Company may cancel if service terminates or if employee defaults on payments; payments with six per cent refunded. In case of death, payments with six per cent and proportionate share of special benefits and bonuses refunded; if employee dies after stock paid for, company may purchase it within sixty days at $100 plus accrued dividends.

Tide Water Oil Company[1]

First offering, 1920. Eligible, employees of one year's service. Kind of stock, common. Source, treasury. Price, $25.

Shares eligible employee might purchase depended upon wages (including commissions and overtime but not bonuses) received during twelve months preceding June 1, 1925. Stock paid for by monthly deductions of 50c, $1.00 or $1.50, whichever employee chose. Dividends on stock credited.

Employee may cancel any time; payments with five per cent refunded. Company cancels if service terminates; payments with five per cent refunded. If service terminated through no fault of employee, stock paid for in full together with any odd cash balance refunded. In case of death beneficiary must give written notice as to whether he wants to receive stock fully paid for together with any odd cash balance, or to pay balance due within ninety days, or to continue monthly payments. In case of permanent disability, employee has same options as beneficiary in case of death. Pensioner may complete payments for his original subscription, or a reduced number of shares, or he may elect to receive stock paid for in full together with any odd cash balance.

As of January 1, 1926, 2,588 persons had subscribed for 48,196 shares.

Union Oil Company of California

Offering, July 15, 1925-September 13, 1925. Three officers act as trustees. Eligible, employees of one year's service. Kind of stock, capital. Source, treasury. Price, $34, that is, five per cent less than

[1] This company has recently merged with the Associated Oil Company and is now the Tide Water Associated Oil Company. The plan outlined above is that of the old Tide Water Oil Company.

average market price on New York Stock Exchange for sixty days prior to July 15, 1925.

Shares subscribable, no limit stated. If rights to subscribe to new stock pertain to stock being paid for employee may purchase upon same terms as any stockholder, or his rights will be sold and proceeds credited. Stock dividend issued to employee when payment completed.

Payment, initial payment of ten per cent of purchase price and equal monthly payments over not more than five years; additional payments may be made but such sums do not interfere with regular monthly payments. Five per cent credited on payments.

Company cancels if service terminates; payments with interest are refunded. If rights under subscription contract assigned, payments without interest refunded. In case of death beneficiary may elect, within thirty days, to take full shares to extent of payments made plus accrued interest, or to pay balance due, or to receive refund of payments with interest.

Subscriptions for 21,585 shares of the 100,000 shares offered were received from 1,900 employees.

Union Pacific Railroad Company

Plan effective, December 15, 1920. Eligible, any employee including officers. Kind of stock, common. Source, bought in market. Price, market.

Shares subscribable, not more than ten.

Payment, twenty-four equal monthly instalments; payments may be completed at any time. Dividends on stock credited only against six per cent charged on deferred payments. If insufficient amount due employee to meet any instalment, he must pay it in cash on or before last day of month in which it is due.

Company cancels if service terminates; employee receives shares paid for by his payments and dividends credited less interest charged, together with cash for odd balance. Upon failure to pay three successive instalments company may cancel giving notice to employee if it does; payments refunded. In case of death or permanent disability payments may be completed, or shares paid for together with cash for odd balance delivered, or payments with six per cent refunded.

UNITED ALLOY STEEL CORPORATION

Plan effective, 1923. Administration, two or more trustees appointed by board of directors. Eligible, employees of three months' service. Kind of stock, common. Source, bought in market. Price, market.

Shares subscribable, such number as can be purchased for one-third of employee's annual wages but not more than twenty-five. "Profit sharing dividends," contingent upon payment of dividends on common, of $3.00 a share are credited annually on employee's stock only, during continuous employment.[1] Stock delivered after it has been paid for but in no event, except in case of death or total disability, earlier than four years from purchase date.

Payment, 50c a share monthly. Dividends on stock are a "contingent credit."[2] Five per cent is charged for first year on total sum advanced by corporation and in succeeding years on balance shown after employee's payments have been credited.

Employee may cancel any time; payments with five per cent refunded. Company cancels if service terminates; payments with five per cent refunded. In case of death or total disability shares equivalent to employee's payments, together with regular and profit sharing dividends, delivered. The beneficiary (employee in case of total disability) of an employee stockholder of more than three months' but less than five years' service receives $1,000 insurance also; of more than five years' service, $1,500 insurance.[3]

As of May 23, 1925, 2,500 employees had subscribed for approximately 36,000 shares.

UNITED CIGAR STORES COMPANY OF AMERICA

Plan effective, October 15, 1924. Eligible, employees of ninety days' service. Kind of stock, common. Source, treasury. Price, $50.

Subscription terms, employees earning less than $1,000 annually, five shares (minimum); $1,000, eight shares; $1,100, nine shares; $1,200, ten shares; $1,300 to $1,400, eleven shares; $1,500, twelve shares; $1,600, thirteen shares; $1,700, fourteen shares; 1,800 to $1,900, fifteen shares, $2,000, sixteen shares; $2,200, eighteen

[1] Temporary lay-off or absence for less than six consecutive days without consent does not constitute an interruption of continuous employment.

[2] By "contingent credit" is meant the credits the employee receives only in the event that he complete his payments.

[3] The insurance for the employee not a stockholder is $500.

If an employee sells all or any part of the stock received by him under the plan, without the formal consent of the trustees, his insurance is reduced to $500.

shares; $2,400, twenty shares; $2,600, twenty-one shares; $2,800, twenty-three shares; $3,000, twenty-five shares; employees receiving salaries in excess of $3,000 were permitted to subscribe in same proportion except that no subscription might be for more than fifty shares. On December 1, 1926, stock paid for in full delivered, and similarly at end of each succeeding year of participation. In discretion of directors, right to subscribe to new stock turned over to employee when stock has been paid for, or sold in market and proceeds credited to employees.

Payment, either 50c or 25c a share monthly. Cash dividends credited; stock dividends sold at current market price and proceeds credited; five per cent charged on deferred payments.

Employee may cancel any time, payments with five per cent refunded. Company cancels if service terminates or if rights or interest in subscription assigned or sold; payments with five per cent refunded. In case of death directors have option of refunding payments, plus dividends and any other credits less interest due company, or of selling stock in market paying over proceeds less balance due, including interest charged and cost of sale, or of holding stock not beyond date when stock would have been paid for except for employee's death and selling it when they deem advisable, paying over proceeds less balance due.

UNITED SHOE MACHINERY CORPORATION

Offering, December 1, 1923-December 31, 1923. Administration, executive committee of corporation. Eligible, any employee. Kind of stock, common. Source, bought in market. Price, $28.

Shares subscribable, one to twenty.

Payment, $1.00 a share monthly. Dividends on stock paid direct to employee. No provision for suspension of payments but in case of illness or lay-off company permits suspension.

Employee may cancel any time upon written notice; payments with six per cent less dividends paid to employee refunded. Company cancels if service terminates, or if rights under subscription agreement alienated; payments, with six per cent less dividends paid to employee, refunded. In case of death payments with six per cent less dividends paid to employee refunded.

Subscriptions for 32,453 shares were received from 4,724 employees.

UNITED STATES STEEL CORPORATION

First offering, 1903; latest offering, January 14, 1926-February 15, 1926. Administration, finance committee. Eligible, any employee including minors. Kind of stock, common. Source, bought in market. Prices: 1920, $106; 1921, $81; 1922, $84; 1923, $107; 1924, $100; 1925, $125; 1926, $136.

Maximum subscription for employees receiving annual salaries of $1,360 or less, one share; $1,360 to $2,266, two shares; $2,266 to $3,966, three shares; $3,966 to $6,120 four shares; $6,120 to $7,480, five shares; $7,480 to $8,840, six shares; $8,840 to $12,750, seven shares; $12,750 to $14,450, eight shares; $14,450 to $16,150, nine shares; $16,150 to $17,850, ten shares; $17,850 to $19,550, eleven shares; $19,550 to $34,000, twelve shares; $34,000 to $36,720, thirteen shares. Bonuses to be paid (or credited if subscription not paid) on each share of stock retained by employees, commencing in January 1927 with $3.00 a share and increasing $1.00 each year up to $7.00 a share in January 1931. Bonuses, forfeited by transfer of certificate, voluntarily leaving service, or being discharged, or failing to resume employment when requested, are credited with five per cent per annum and are to be pro-rated among subscribers remaining at the end of five-year period.

Payment, $3.00 a share monthly but not more than twenty-five per cent of one month's salary, and in even dollars. Payments to be completed within three years. Dividends on stock credited; five per cent charged on deferred payments. Suspension of payments permitted during unemployment.

Employee may cancel any time; payments with five per cent refunded. Company cancels if service terminates, if employee fails to resume employment when requested or discontinues payments, without consent, for three consecutive months; payments with five per cent refunded. In case of death, permanent disability, or retirement on pension, payments, together with dividend credits, bonuses for five-year period and pro rata share of forfeited bonuses, less five per cent on deferred payments, refunded; if subscription paid and stock still held, a sum equal to bonuses for each of five years not expired and a pro rata amount of forfeited bonuses refunded. Pensioner may complete payments, however.

WALDORF SYSTEM, INC.

Offering, January 15, 1925-February 28, 1925. Administration, executive committee of corporation. Eligible, division managers and supervisors, department heads, store managers, and such other employees as president may determine; officers, directors and minors are ineligible. Kind of stock, common. Source, bought in market. Price, $16.

Shares subscribable, five, or any multiple thereof, up to one hundred.

Payment, $1.00 a share to accompany application and $1.25 a share monthly thereafter; payments may be anticipated only with written consent of two members of executive committee, but must be completed within one year. Dividends on stock credited; six per cent charged on deferred payments.

Company may cancel if service terminates or if instalment not paid for twenty-eight days after due; it has option of refunding payments with six per cent or of selling stock in market, deducting balance due from proceeds. In case of death balance due may be paid within sixty days; otherwise payments with six per cent refunded.

WESTERN UNION TELEGRAPH COMPANY, THE

Plan effective, May 15, 1926. Administration, committee of three appointed by directors,—one member to be selected from nominees of association of Western Union employees. Eligible, employees of one year's service. Kind of stock, common. Price, $120.

Shares subscribable, one for each $500 of annual wages but not more than fifty.

Payment, twenty-three monthly instalments of $4.75 a share and a final payment of $3.99 a share. Six per cent compounded quarterly on payments credited. Payments may be suspended not exceeding three months on account of sickness, accident or leave of absence; payments in arrears must be made up before date stipulated for final payment.

Employee may cancel any time upon written notice; within sixty days payments with five per cent refunded. Company cancels if service terminates, refunding within sixty days payments with five per cent; company may cancel if employee fails to fulfil conditions of contract or assigns interest in contract, refunding payments with four per cent within sixty days. In case of death beneficiary has option for one year of receiving payments with six per cent, or equivalent in stock together with cash for odd balance. Employee retired on pen-

sion may continue payments or receive refund of payments with six per cent.

YALE AND TOWNE MANUFACTURING COMPANY, THE

First offering, June 1923. Eligible, any employee. Kind of stock, common. Source, bought in market. Price, market.

Subscription terms, shares equivalent to approximately ten per cent of employee's annual wages. Bonus of $4.00 a share is paid each year for five years on anniversary of purchase if employee retains stock.[1]

Payment, cash in full or company loans money, with stock as collateral, up to ninety per cent of purchase price, to be repaid within one year in monthly instalments. Employee receives dividends on stock; five per cent charged on note. No provision for suspension of payments but if necessary payments have been deferred to meet requirements of each particular case.

No provision for cancellation by employee; in several instances, however, company has taken over stock subscribed for when it could be placed with some other employee. In case of death, beneficiary liable for balance due on any loan made by company to pay for stock; bonuses cease with employee's death.

Over 3,300 shares are owned by 300 employees; about 560 shares are still being paid for.

ZELLERBACH CORPORATION

First offering, August 1, 1925-September 15, 1925. Administration, three trustees appointed by corporation. Eligible, any employee including minors. Kind of stock, common. Price, $23.

Subscription terms, employees earning $1,000 or less annually, five shares; $1,001 to $1,500, ten shares; $1,501 to $2,000, fifteen shares; $2,001 to $2,500, twenty shares; $2,501 to $3,500, twenty-five shares; $3,501 to $4,500, thirty shares; $4,501 to $6,000, thirty-five shares; $6,001 to $7,500, forty shares; $7,501 to $10,000, forty-five shares; $10,000 to $12,500, fifty shares. Bonus of 60c a share in October 1926 and increasing 20c a share for each succeeding year up to $1.40 a share for the fifth year paid on stock retained by employee; bonuses forfeited by transfer of certificate from name of

[1] The bonus is forfeited if the stock is pledged for a loan without consent of company.

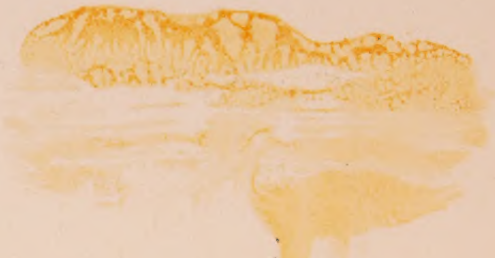
employee or by termination of service are paid into special fund credited with six per cent; at end of five years, this fund distributed among employees then participating on basis of number of shares held.

Payment, at least $1.00 a share monthly but not more than twenty-five per cent of wages and in even dollars. Dividends on stock credited; six per cent charged on deferred payments. Payments may be suspended during lay-off.

Employee may cancel any time; payments with six per cent refunded. Company cancels if service terminates, if employment not resumed when requested, or if payments discontinued for three consecutive months without consent of corporation; payments with six per cent refunded.

In case of death or permanent disability payments, together with dividends credited, bonuses on stock for five-year period and pro rata share of fund accumulated from forfeitures of bonuses less six per cent on deferred payments, refunded; if subscription fully paid and employee still holds stock a sum, equal to total of bonuses still payable for each of five years not expired and a pro rata share of fund arising from forfeitures, refunded.

Subscriptions for 12,320 of the 15,000 shares offered were received.



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